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PROCUREMENT WORKLOAD VERSUS  
WORKFORCE--A GROWING  
IMBALANCE

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## EXECUTIVE SUMMARY

Between 1975 and 1980 DoD's procurement workload increased significantly in both size and complexity. Individual procurement actions were larger and more complex, requiring more effort as well as higher degrees of skill and judgment from procurement personnel. At the same time, the number of people in the procurement workforce increased. However, the overall increase in personnel was uneven and did not keep up with the increase in workload at all procurement activities. There were excessive personnel losses, especially at activities that already were understaffed, and these losses lowered the skill levels of the workforce. The resulting imbalance between workload and workforce has adversely affected the performance of the procurement function.

The total number of procurement actions completed by the four major DoD components (Army, Navy, Air Force, and Defense Logistics Agency) during FY 1980 were 13% greater than those completed during FY 1975 (11.4 million versus 10.1 million). Total dollars, adjusted for inflation, increased by 24% over the same period. An upward trend in the dollar value of individual actions had a significant effect on workload during this time. Simplified purchase procedures followed on transactions of less than \$10,000 cannot be used on buys over \$10,000. Once that \$10,000 threshold is breached, additional requirements become applicable. The number of actions of \$10,000 or more in FY 1980 was 41% greater than in FY 1975. Still other requirements which add both time and complexity apply to procurements of \$100,000 or more, and the number of those actions increased by 63% from FY 1975 to FY 1980.

Many of these requirements that add to the complexity of procurements resulted from relatively recent legislative and administrative actions. These

include P.L. 95-507, an amendment to the Small Business Act; international cooperative agreements in development and production of weapons; and OMB's revision and reemphasis of its Circular A-76 dealing with contracting out.

In addition to requirements added by legislative and administrative actions, economic factors and changing market conditions beyond the control of DoD have made the purchasing task more demanding. High rates of inflation have made it more difficult to establish realistic prices and have led to greater use of economic price adjustment provisions in contracts. High interest rates have caused contractors to reduce inventories, thus reducing the potential for off-the-shelf purchases.

The civilian procurement workforce, measured by the Office of Personnel Management's contract and procurement occupational series, GS-1102, increased by 14.5% between FY 1975 and FY 1980, although the increases were not uniformly distributed among or within the DoD components.

Skill levels, judged by length of service and separation rates, decreased significantly. The separation rates for GS-1102s were significantly higher than those for all DoD administrative personnel (which includes the GS-1102 series). The average length of service for GS-1102s dropped significantly in several purchasing activities over the past six years.

On-site reviews at 15 DoD procurement activities show 10 activities with varying degrees of imbalance between the work on hand and the personnel resources available. Excessive backlogs, increased investments in inventories, and increased use of unpriced contractual instruments are evidence of imbalances, as are excessive personnel loss rates, extensive use of overtime, use of less experienced personnel in negotiating major procurements, and inability to recruit applicants (even for higher grade vacancies).

Individual procurement activities compensated in various ways for the shortage of personnel. Several increased productivity by use of computers and word processing equipment. Many central procurement activities devised systems to identify and expedite the procurements that were most important to their customers. Some activities used upward mobility and other training programs to provide more stability to the available workforce.

In summary, there is an imbalance between workload and staffing at many DoD activities, and where such imbalance exists, there is, to varying degrees, a degradation in the performance of the procurement function. This problem will be magnified if the DoD procurement budget increases as proposed. The solution is neither simple nor easy to attain.

Some relief from the increased complexity of individual procurement actions will be achieved with enactment of current legislative proposals to raise the dollar thresholds at which certain requirements apply. Increased use of computers and word processors should increase the productivity of the present workforce. Better records of work in process and on hand at each procurement activity and major command should allow more equitable distribution of available personnel and serve as a necessary first step to assuring adequate staffing. DoD-wide use of work measurement and manpower utilization and projection systems should permit systematic assessment of the adequacy of the procurement workforce and document the need for adjustments.

These remedies are promising, but an increase in the number of people assigned is the only way to bring immediate help to procurement operations.

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## TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY . . . . .	ii
1. CHANGES IN DoD PROCUREMENT WORKLOAD AND WORKFORCE FISCAL YEARS 1975-1980 . . . . .	1- 1
Introduction . . . . .	1- 1
Workload . . . . .	1- 2
Workforce . . . . .	1-10
Summary . . . . .	1-14
2. CURRENT STATUS OF DoD'S PROCUREMENT WORKLOAD AND WORKFORCE . . .	2- 1
Staffing in Relation to Workload . . . . .	2- 1
Consequences of Understaffing . . . . .	2- 3
Compensating Actions . . . . .	2- 6
Summary . . . . .	2- 7
3. CONCLUSIONS AND RECOMMENDATIONS . . . . .	3- 1
Conclusions . . . . .	3- 1
Recommendations . . . . .	3- 2
APPENDIX A - Offices and Activities Visited	
APPENDIX B - DAR Dollar Thresholds Requiring or Permitting Action	
APPENDIX C - A Catalog of Complexity Factors Added to the Acquisition Process in the Past 10 Years	

1. CHANGES IN DoD PROCUREMENT WORKLOAD AND WORKFORCE  
FISCAL YEARS 1975-1980

INTRODUCTION

There is widespread concern within DoD that procurement performance was being jeopardized by a growing imbalance between the procurement workload and the procurement workforce. The number and dollar value of contract actions completed each year had increased significantly during the past 10 years. Along with these changes, there was a widely-held belief that procurement had become more complicated, more demanding, and more time-consuming as a consequence of added statutory and regulatory requirements. At the same time, the general understanding was that the number of full-time civilian contract specialists in DoD had decreased.

In the interest of clarity and consistency, the following definitions apply to terms used in this report:

DoD components -- Army, Navy, Air Force, and DLA.

Procurement -- the actions required to acquire the goods, services, or construction needed by DoD, using appropriated funds.

Procurement action -- an action obligating or deobligating funds which awards or changes a contract. Included are actions which result in letter contracts, definitive contracts, purchase orders, task orders, supplemental agreements, engineering changes, cancellations, or terminations.

Procurement activity -- any DoD organization which, as its primary mission, acquires goods, services, or construction.

System acquisition activity -- a DoD procurement activity which, as its primary mission, acquires major weapon systems.

Central procurement activity -- a DoD procurement activity which, as its primary mission, acquires goods, services, or construction for the development and support of military equipment and operations. Research and development contracting is included.

Base procurement activity -- a DoD procurement activity which, as its primary mission, acquires goods, services, or construction to support the day-to-day operations of the local DoD installation; e.g., post, camp, station.

Contract specialist -- a full-time DoD civilian employee classified in the Office of Personnel Management's GS-1102 occupational series. These employees are described variously as contracting officers, PCOs, ACOs, TCOs, negotiators, buyers, and price analysts.

Purchase requisition -- a funded document that describes a needed product or service and authorizes the contract specialist to put the procurement process into motion.

#### WORKLOAD

There is no DoD-wide system for reporting work on hand and in process in DoD procurement activities. For their own needs, most procurement activities maintain current records of the procurement requisitions on hand, but not all activities keep historical records of these data. The only historical data which give approximate measures of the procurement workload are those compiled from the "Individual Procurement Action Report" (DD Form 350) which is filed for each action in excess of \$10,000, and from the "Monthly Procurement Summary of Actions \$10,000 or Less" (DD Form 1057). These summarize work completed, but do not measure the current DoD procurement workload, nor do they measure how much of the work to be done actually was done.

#### Size of Workload

Table 1-1 depicts the numbers of actions completed and the dollars obligated individually and in total by the four principal DoD components, Army, Navy, Air Force, and DLA, for each of fiscal years 1975-1980. It also shows the total actions and dollars for all DoD in that period. The annual workload of the four, expressed in numbers of actions, was 13% greater in 1980 than in 1975, while the change in terms of dollars obligated was a plus 75%. Comparable figures for all DoD were 13% more actions and 78% more dollars. One measure of the effect of inflation is indicated by the fact that, for the

four components, the FY 1980 obligation total of \$80 billion becomes, in constant FY 1975 dollars, \$56.7 billion, an increase of only 24% from the \$45.8 billion in 1975.

TABLE 1-1

PROCUREMENT ACTIONS AND DOLLARS OBLIGATED BY MAJOR COMPONENTS  
AND TOTAL DoD -- FISCAL YEARS 1975-1980  
 (NUMBERS IN THOUSANDS, DOLLARS IN MILLIONS)

	FISCAL YEAR					
	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
<u>MAJOR COMPONENTS -</u>						
<u>ARMY</u>						
Number	3,073	2,953	2,989	3,021	3,250	3,651
Dollars	\$11,535	\$10,472	\$12,015	\$14,022	\$16,131	\$18,654
<u>NAVY</u>						
Number	2,768	2,719	2,361	2,344	2,340	2,380
Dollars	\$15,644	\$15,429	\$17,584	\$21,802	\$23,364	\$25,371
<u>AIR FORCE</u>						
Number	3,474	3,560	3,746	3,977	4,107	4,251
Dollars	\$12,928	\$15,118	\$17,955	\$19,913	\$20,525	\$24,681
<u>DLA</u>						
Number	860	930	1,138	1,076	1,098	1,190
Dollars	\$ 5,652	\$ 5,915	\$ 6,779	\$ 8,198	\$ 7,815	\$11,262
<u>SUBTOTAL</u>						
Number	10,175	10,162	10,234	10,418	10,795	11,472
Dollars	\$45,759	\$46,934	\$54,333	\$63,935	\$67,835	\$79,968
<u>TOTAL DoD</u>						
Number	10,663	10,656	10,836	11,037	11,405	12,072
Dollars	\$46,908	\$48,429	\$57,172	\$67,022	\$70,956	\$83,686

SOURCE: Prime Contract Awards by Statutory Authority, Annual Report of OSD, Washington Headquarters Services (DIOR). Intragovernmental and foreign military sales (FMS) actions included.

For the actions and dollars shown in Table 1-1, the four components showed the following percentage changes, comparing 1980 to 1975:

	<u>ACTIONS</u>	<u>DOLLARS</u>
MAJOR COMPONENTS -		
ARMY	+19%	+62%
NAVY	-14	+62
AIR FORCE	+22	+91
DLA	+38	+99
SUBTOTAL	+13	+75
TOTAL DoD	+13	+78

The 14% decrease in actions completed by the Navy, when compared with the 62% increase in dollars obligated, points up the weakness of these data as reliable measures of workload.

The increase in total numbers of actions does not reflect the real growth in DoD's purchasing workload because it marks only an increase in actions completed. Further, there are wide variations in the time and effort required to complete different kinds and sizes of procurement actions. To illustrate, the Defense Acquisition Regulation (DAR) establishes dollar thresholds at which specific things must be done or may or may not be done. While relatively few of these DAR thresholds apply across the board to all procurements, their effects are pervasive and support the general observation that, in terms of technical requirements of the contracting function, the job gets more complicated as the number of dollars to be obligated by a procurement action increases.

A listing of the DAR dollar thresholds and the related requirements is set forth in Appendix B. There are over 300 requirements tied to 49 different dollar thresholds. The greatest number of such actions (102) cluster at the \$10,000 level. Under the provisions of the DAR, most procurements of less than \$10,000 are processed using simplified small purchase procedures.

These procedures include the use of charge account arrangements, oral solicitation of quotations, and simplified purchase order forms. Over 95% of all DoD's procurement actions are for less than \$10,000.

Table 1-2 shows the numbers of procurement actions \$10,000 or less, for fiscal years 1975 through 1980. Procurements in this range are most numerous, by far, and at the same time are most suited to routine handling and automation. The most interesting and atypical change is the decrease in the number of these small dollar actions within the Navy.

TABLE 1-2

PROCUREMENT ACTIONS OF \$10,000 OR LESS, FISCAL YEARS 1975-1980,  
FOR MAJOR COMPONENTS AND TOTAL DoD  
(NUMBERS IN THOUSANDS)

	FISCAL YEAR						% 80/75
	1975	1976	1977	1978	1979	1980	
ARMY	3,013	2,899	2,931	2,957	3,180	3,578	119
NAVY	2,711	2,662	2,290	2,264	2,249	2,281	84
AIR FORCE	3,414	3,500	3,682	3,905	4,029	4,164	122
DLA	816	886	1,092	1,029	1,050	1,137	139
SUBTOTAL	9,954	9,947	9,995	10,155	10,508	11,160	113
TOTAL DoD	10,436	10,432	10,585	10,761	11,105	11,747	113

SOURCE: Prime Contract Awards by Statutory Authority, Annual Report of OSD, Washington Headquarters Services (DIOR). Intragovernmental and FMS actions included.

The first significant dollar threshold is \$10,000, at which point simplified contracting procedures no longer may be followed. Thus, an increase in the number of actions above this threshold would represent a greater increase in workload than would a similar change in those below \$10,000.

Table 1-3 shows the numbers of procurement actions over \$10,000 for fiscal years 1975 through 1980.

TABLE 1-3

PROCUREMENT ACTIONS OF \$10,000 OR MORE BY MAJOR COMPONENTS  
AND TOTAL DoD -- FISCAL YEARS 1975-1980

	FISCAL YEAR						% 80/75
	1975	1976	1977	1978	1979	1980	
ARMY	59,607	54,862	58,847	64,408	70,111	73,593	123
NAVY	56,521	57,732	70,808	79,907	91,121	98,736	175
AIR FORCE	60,145	60,269	64,109	72,008	78,096	86,458	144
DLA	44,209	43,923	45,619	46,923	48,073	52,369	118
SUBTOTAL	220,482	216,786	239,383	263,246	287,401	311,156	141
TOTAL DoD	226,686	223,866	250,551	275,567	300,755	325,169	143

SOURCE: Prime Contract Awards by Statutory Authority, Annual Report of OSD, Washington Headquarters Services (DIOR). Intragovernmental and FMS actions included.

Procurement actions in excess of \$10,000 by the four components were 41% greater in FY 1980 than in FY 1975. The increase varied from a low of 18% for DLA to a high of 75% for Navy. A very practical indication of the significance of this increase can be seen in these standard processing time allowances developed at the Defense Industrial Supply Center:

Small purchase (\$10,000 or less)	-	0.756 hours
Large purchase (in excess of \$10,000)	-	5.739 hours

The catalog of DAR dollar thresholds also reveals a significant increase in requirements at the \$100,000 level. Above this threshold, 36 requirements are activated. The Truth in Negotiations Act (P.L. 87-653), which applies to noncompetitive procurements expected to exceed \$100,000, requires that contractors submit or identify in writing, and later certify that the cost or pricing data submitted in support of their proposed prices were current, accurate, and complete as of the date of agreement on the contract price. This requirement complicates the process and adds time whenever Government or industry representatives are unfamiliar with its requirements or

are not accustomed to performing or submitting cost analyses. The same is true whenever the Government requests unnecessary and unreasonable kinds and amounts of data or the contractor is slow in responding to valid requests for data.

Table 1-4 portrays the numbers of procurement actions over \$100,000 in fiscal years 1975 through 1980. Procurement actions of \$100,000 or more by the four components were 63% greater in FY 1980 than in FY 1975. This increase ranged from 37% for the Army to 88% for the Navy.

TABLE 1-4  
PROCUREMENT ACTIONS OF \$100,000 OR MORE BY MAJOR COMPONENTS  
AND TOTAL DoD -- FISCAL YEARS 1975-1980

	FISCAL YEAR						% 80/75
	1975	1976	1977	1978	1979	1980	
ARMY	8,715 <sup>1</sup>	8,085 <sup>1</sup>	9,116	9,862	10,958	11,908	137
NAVY	8,856	8,961	10,443	12,235	14,677	16,607	188
AIR FORCE	9,515	9,865	11,511	12,832	13,993	15,436	162
DLA	3,994	4,161	5,049	5,572	6,011	6,737	169
SUBTOTAL	31,080	31,072	36,119	40,501	45,639	50,688	163
TOTAL DoD	31,080	31,072	37,275 <sup>1</sup>	41,832 <sup>1</sup>	47,128 <sup>1</sup>	54,814 <sup>1</sup>	176

<sup>1</sup>Includes "Other Defense Agency" awards.

SOURCE: DoD Prime Contract Awards, Size Distribution, Annual Report of OSD, Washington Headquarters Services (DIOR). Size data including intra-governmental and FMS actions are not available.

#### Difficulty of Workload

In addition to these upward trends in the number of higher dollar value procurement actions, defense acquisition has grown increasingly complex during the past decade. New statutory and administrative requirements have added to the workloads of contract specialists and others in the process. While repetition has reduced the time it takes to comply with each new requirement, the net effect has been a series of incremental additions to the

total effort. Further, each new requirement has added to the list of skills and knowledge needed to contract effectively, thereby adding to the total demands on contract specialists and procurement managers.

Examples of the legislative and administrative actions that have contributed to the workload in recent years are:

- Public Law 95-507, an amendment to the Small Business Act which provides (i) that all purchases subject to simplified contracting procedures must be set aside for award to small business firms; and, as a condition to award of the contract, (ii) that all large business offerors on contracts in excess of \$500,000 agree to submit and have evaluated plans for subcontracting a portion of the work to small business firms and another portion of the work to small disadvantaged business firms.
- The Trade Agreements Act of 1979, which suspends the restrictions of the Buy American Act and the Balance of Payments program for certain products originating in certain designated countries, thus greatly increasing the potential for foreign competition and participation in the acquisition of numerous non-weapon items.
- International cooperative agreements for the development and production of weapons on a continuing basis.
- The adoption of goals for awards to be made pursuant to Section 8(a) of the Small Business Act. This section provides that certain contracts shall be placed with the Small Business Administration which will then subcontract the requirement to a minority-owned firm. P.L. 95-507 gave legislative status to the use of goals, a practice that had been introduced in the 1974-75 time period.
- The revision and re-emphasis of OMB's Circular A-76 dealing with contracting out. This policy guide requires the preparation of work statements and cost estimates for many functions never before acquired by contract.
- The Office of Federal Procurement Policy's program for the acquisition and distribution of commercial products. This program introduces an element of uncertainty as to the adequacy of a product to meet a given requirement which must be compensated for by appropriate contractual protections.

A number of economic factors and market conditions have increased the complexity of procurements. These include:

- High rates of inflation, which make it increasingly difficult to negotiate reasonable prices for future deliveries of goods and services.

- High interest rates, which cause contractors to reduce inventories, thereby reducing off-the-shelf purchases.
- Shortages of critical materials, which introduce further uncertainty into contract pricing.
- Diminution of sources of supply, which necessitates time and effort to locate alternative sources. A major cause of inability to complete automated purchases successfully at the Defense Electronics Supply Center was the "No Quote" response to its RFQs.
- Increasing production lead times. For aircraft and engines, as examples, the elapsed time between authorization to proceed and first delivery was 50 months. The time span long pre-dates congressional approvals of programs and funds, necessitating interim authorization and funding for long lead time items, and special arrangements with contractors to get the work underway.

The principal complexity factors tracing to legislation and regulations are described in Appendix C. Each of these factors can place greater demands on the time of contract specialists, although not in an easily quantifiable way. For example, obtaining and evaluating prime contractors' plans for subcontracting with small business firms is a time-consuming process. Likewise, explaining U.S. Government procurement policies and practices to representatives of foreign governments and foreign contractors engaged in co-development or co-production of weapons can be very time-consuming. Similarly, learning and accommodating to the policies and practices of foreign contractors also can take considerable time and effort.

In addition to requiring more time, many of the complexity factors increase the level and frequency of professional judgments which contract specialists must make. Examples of these are determining the adequacy and completeness of prime contractors' small business subcontracting plans and evaluating and deciding on appropriate indices and ceilings for contract economic price adjustment provisions.

There were no reductions in the requirements of the procurement process.

The complexities introduced by new job-related demands created by legislation and regulation contribute to organizational rigidity by emphasizing mastery of the procedural details of the process. This in turn discourages the initiative needed to adapt to changing circumstances.

#### WORKFORCE

There are many disciplines involved in the procurement process but there is no precise definition of the DoD procurement workforce. In the negotiation and preparation of the contract, the contracting officer may draw upon the talents and time of auditors, production specialists, secretaries, engineers, and attorneys. While shortages of personnel in these disciplines could have an adverse effect on the contracting function, personnel who negotiate and award contracts are the core of the procurement workforce.<sup>1</sup>

These personnel are classified in the Office of Personnel Management's (OPM) occupational series GS-1102 entitled "Contract and Procurement." Even within this series, there are degrees of specialization. Contract specialists assigned to contract administration, as contrasted to contract placement, also are GS-1102s. The same is true for contract price analysts in both procurement and contract administration activities.

#### Size of Workforce

Contrary to the general understanding that the number of full-time DoD contract specialists had declined, this has not been the case in the years since 1975. Table 1-5 presents the numbers of contract specialists in the GS-1102 series for the past seven years. All numbers represent the on-board count as of the beginning of each fiscal year.

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<sup>1</sup>No exact data on the number of military personnel in the workforce exist. Army and Navy each use about 300 officers and the Air Force had 1363 enlisted personnel and 1351 officers as part of its contracting workforce for FY 1980.

TABLE 1-5

NUMBER OF DoD PERSONNEL IN OPM GS-1102 SERIES  
AT THE START OF FISCAL YEARS 1975-1981

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
ARMY	3,267	3,271	3,291	3,386	3,533	3,758	3,960
NAVY	2,084	2,128	2,115	2,229	2,336	2,455	2,491
AIR FORCE	3,550	3,568	3,506	3,855	3,974	4,056	4,162
DLA	<u>3,123</u>	<u>3,134</u>	<u>2,972</u>	<u>2,913</u>	<u>3,024</u>	<u>3,127</u>	<u>3,194</u>
SUBTOTAL	12,024	12,101	11,884	12,383	12,867	13,396	13,807
TOTAL DoD	12,226	12,288	12,080	12,582	13,066	13,582	13,994

SOURCE: Defense Manpower Data Center Report 1M5391, 23 March 1981

The percentage changes in personnel, from the start of fiscal year 1975 to 1981 are:

ARMY	+21.2%
NAVY	+19.5%
AIR FORCE	+17.2%
DLA	+ 2.3%
SUBTOTAL	+14.8%
TOTAL DoD	+14.5%

Available data on the number of personnel within each of the DoD components are:

- Army. The division of the major commands into R&D and Readiness Commands and the subsequent unification of some makes any meaningful comparisons between the commands impossible.
- Navy. There is a wide disparity in the rates of personnel changes within the components of the Naval Material Command. The differences between FY75 and FY81 staffing for these components were as follows:

	<u>1975</u>	<u>1981</u>	<u>% CHANGE</u>
NAVAIR	411	379	- 7.8%
NAVSUP	566	773	+36.6%
NAVSEA	367	591	+61.0%
NAVELEX	56	98	+75.0%
NAVFAC	99	153	+54.5%

- Air Force. The same rates of increase prevailed in both Systems and Logistics Commands.
- DLA. Data other than totals are available only from FY 1978 on. These data indicate two-thirds of DLA's GS-1102s are in contract administration offices. Among the hardware centers, changes in numbers of personnel range from an increase of 8% at the Defense General Supply Center to an increase of 37% at the Defense Industrial Supply Center.

#### Skill Levels of Personnel

Skill levels of DoD contract specialists are measured by length of service (as a surrogate for time in grade, which data are not available) and separation rates.

Table 1-6 presents the average length of service of DoD contract specialists by major commands as of the start of fiscal years 1975 and 1981.

TABLE 1-6

#### AVERAGE YEARS OF SERVICE FOR DoD PERSONNEL IN GS-1102 SERIES AT THE START OF FISCAL YEARS 1975 AND 1981

	<u>FY 1975</u>	<u>FY 1981</u>
<u>ARMY</u>		
Communications & Electronics	23.7	16.6
Missiles	18.8	N/A
Tank-Automotive	19.1	14.3
Armament	20.6	16.4
Aviation	19.7	20.2
Total Army	20.5	17.5
<u>NAVY</u>		
Air Systems	19.0	15.8
Supply Systems	17.1	13.8
Sea Systems	21.2	18.3
Facilities Engineering	20.2	17.9
Electronics Systems	18.7	15.4
Total Navy	19.2	16.4
<u>AIR FORCE</u>		
Logistics Command	18.2	18.5
Systems Command	18.3	17.5
Total Air Force	18.8	18.2
<u>DEFENSE LOGISTICS AGENCY</u>		
Defense Construction	N/A	22.5
Defense Electronics	N/A	17.6
Defense General	N/A	21.0
Defense Industrial	N/A	17.0
Total DLA	18.4	18.1
DoD TOTAL FOR 1102 SERIES	19.3	17.7

SOURCE: DMDC Report 1M5391, 23 March 1981.

These data indicate that overall experience levels decreased for all four components during this time. These data also give clear evidence that fluctuations in personnel are not uniform throughout DoD. For example, increases in the average length of service occurred for personnel of the Army's Aviation Command (combined data for R&D and Readiness Commands) and the Air Force Logistics Command. There was a significant drop in the average length of service of personnel of the Army's Communications & Electronics, Tank-Automotive, and Armament Commands, and in the Navy's Air, Supply, and Electronics Systems Commands.

Table 1-7 shows the separation rates for GS-1102s in the major commands, the four components, and DoD for fiscal years 1975 and 1980. Separation rates

TABLE 1-7  
SEPARATION RATES FOR DoD PERSONNEL IN GS-1102 SERIES  
FISCAL YEARS 1975 AND 1980

	FY 1975	FY 1980
<u>ARMY</u>		
Communications & Electronics	N/A	12.4
Missiles	N/A	N/A
Tank-Automotive	N/A	11.9
Armament	N/A	9.1
Aviation	N/A	11.3
Total Army	8.9	11.4
<u>NAVY</u>		
Air Systems	13.1	13.6
Supply Systems	12.9	9.8
Sea Systems	12.3	9.7
Facilities Engineering	7.1	13.1
Electronics Systems	12.5	12.4
Total Navy	11.1	11.3
<u>AIR FORCE</u>		
Logistics Command	6.0	8.2
Systems Command	5.3	11.3
Total Air Force	6.3	10.1
<u>DEFENSE LOGISTICS AGENCY</u>		
Defense Construction	N/A	5.7
Defense Electronics	N/A	16.2
Defense General	N/A	3.8
Defense Industrial	N/A	19.5
Total DLA	8.3	14.3
DoD TOTAL FOR 1102 SERIES	8.3	11.6
DoD TOTAL FOR ALL ADMINISTRATIVE PERSONNEL	6.0	8.8

SOURCE: DMDC Report 1M5391, 23 March 1981.

count only people who left the DoD components. For example, transfers from AFLC to AFSC or from NAVAIR to NAVSEA would not be counted as separations in the DMDC data bank. Thus, the separation rates for individual organizations are understated to some degree. The relative volatility of the GS-1102 series also is demonstrated by a separation rate of 11.6 for all DoD GS-1102s that was significantly higher than the 8.8 for all administrative personnel, including GS-1102s.

#### SUMMARY

Results of this analysis of workload and workforce are summarized as follows:

- Between fiscal years 1975 and 1980 workload expressed as actions completed increased by significant amounts both in numbers and in complexity. Increased complexity also is demonstrated by the growth in numbers of actions over \$10,000 and \$100,000.
- There is no DoD-wide system for measuring or reporting work on hand or in process.
- The number of contract specialists in the DoD procurement workforce increased between the start of fiscal years 1975 and 1981 but not at the same rate as the increase in workload and not uniformly for each procurement activity.
- The GS-1102 contract specialist series:
  - Experienced separation rates significantly higher than the average for all DoD administrative personnel.
  - Experienced an increase in the separation rate between fiscal years 1975 and 1980.
  - Experienced a drop in average length of service between fiscal years 1975 and 1981.

None of these were consistent throughout DoD.

## 2. CURRENT STATUS OF DoD'S PROCUREMENT WORKLOAD AND WORKFORCE

### STAFFING IN RELATION TO WORKLOAD

Of 15 procurement activities reviewed, 10 are experiencing varying degrees of distress over personnel shortages.<sup>1</sup> Four other activities indicate sufficient personnel authorizations to accommodate current workload, but one of these has a large backlog of unpriced actions. The fifteenth activity has adequate numbers of personnel authorized but, because of unusual personnel loss rates, has not been able to maintain an adequate, trained staff.

There is serious imbalance between workload and workforce at several activities, although the facts vary from one activity to another. For example, the small purchase workload on hand at one activity exceeded 300 purchase requisitions per buyer. There were so many requisitions that buyers stacked them in boxes by their desks. Another activity which has a sophisticated manpower requirement projection system had a current workload that was 150% of that for which it was staffed. Still another central procurement activity extended its buy cycle for stock level items -- accepting the resulting increased inventory costs in an attempt to reduce the number of purchase requisitions to a manageable level.

Six of the 15 activities rely on significant amounts of overtime to keep up with workload. One of these, a central procurement activity, has a mandatory 44-hour work week. Another, a system acquisition activity, combines

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<sup>1</sup>There is no system for central reporting of work on hand and in process at DoD procurement activities. Current information about the relationship of workforce to workload was obtained by visiting selected activities. A listing of activities visited is set forth in Appendix A.

management and peer pressures to exact 10-11 hour days from its personnel, most of whom are above the grade level that can be paid for overtime.

While pressures to perform in these circumstances undoubtedly contribute to high personnel loss rates at understaffed activities, it is dangerous to generalize from the loss rates at individual activities. To illustrate, the Defense Fuel Supply Center, which obligates approximately 10% of DoD's procurement budget, lost 58 of 137 authorized GS-1102s in the two years ended 28 February 1981. However, most of the 58 transferred to other DLA offices and were not counted as "separations" in the data shown in Table 2-7. Although, of the four DoD components studied, DLA experienced the largest separation rate in FY 1980, many procurement activities of DoD components also recorded significant personnel losses:

- NAVAIR Headquarters lost 31 GS-1102s out of a total of 163 in FY 1979 and 29 out of 161 in FY 1980.
- Aviation Supply Office lost 20 of 120 GS-1102s in calendar year 1980.
- Navy Ships Parts Control Center contracts office lost 63 people each year out of a total of 288 during FY 1979 and 1980.
- Defense Industrial Supply Center lost almost 50% of its professional staff in FY 1980. Of 143 persons in Grade GS-9 or below, 37 had less than three months' experience; 68 had less than one year's experience.
- Warner Robins Air Logistics Center lost 72 of 443 people in the Contracting and Manufacturing Directorate during FY 1980.

One system acquisition office failed to attract any applicants for advertised vacancies at the usually desirable GS 13 and 14 levels. In several instances, departing personnel took lateral moves to escape the pressure of the jobs. At one activity, working level people indicated there had been resignations out of sheer frustration at the job pressures. Other activities, such as NAVSEA, the Aeronautical Systems Division of AFSC, and the Army Missile Command, reported annual loss rates of 10% or less, indicating fairly stable workforces.

Both AFLC and DLA have systems to project workloads and determine the staffing required. In each case, the systems are highly refined, carefully monitored, and adjusted as experience dictates. However, none of their purchasing activities are staffed at the levels indicated by the projection systems. AFLC is allotted approximately 93-94% of demonstrated personnel needs, while DLA receives about 91% of its demonstrated needs.

#### CONSEQUENCES OF UNDERSTAFFING

Imbalances between workload and workforce can have adverse effects. This is seen in two results: first, the increased costs to the Government resulting from certain actions taken to counter the imbalance; second, in the highly subjective but credible conclusion of procurement managers that contract terms and conditions negotiated by inexperienced personnel under intense time pressures and subject to reduced reviews, are not as favorable to the Government as would otherwise be the case. These two effects are discussed in the next six paragraphs.

A common way to accomplish procurement tasks expeditiously is to use unpriced authorizations, such as letter contracts and orders against basic ordering agreements. These unpriced authorizations are useful and often essential tools for the contract specialist, when time does not permit handling the procurement in accordance with more normal procedures. The disadvantages of unpriced actions are that they merely defer necessary work that will have to be performed later and, in so doing, provide contractors little or no reason to be concerned with cost in performing the work. Unless carefully structured protective provisions are included, unpriced actions commit contractors to do only that which can be done within the funds allocated.

While all procurement activities attempt to control the use of unpriced actions, significant increases in their use occurred in those activities experiencing personnel shortages. One major command had almost 50 letter contracts, worth over \$450 million, in its backlog of unpriced actions. A central procurement activity had a total of 131 letter contracts outstanding in FY 1980, an increase of almost 30% from the previous year. Another central procurement activity had a backlog of almost 12,000 unpriced orders. This total averages more than 100 per contract specialist at that activity.

Some central procurement activities increased stock levels to offset personnel shortages by reducing the total number of buys in a given period. Stock levels are determined by usage rates and replenishment times and adjusted, when warranted, for economic order quantities. Procurement administrative lead time (PALT) is an important segment of the inventory level equation. One activity reported its inventory costs increased by more than \$1 million for each day's increase in lead time. That activity experienced a 37-day increase in its PALT for large purchases and a 13-day increase for small purchases from FY 1979 to FY 1980. Another, with inventory costs of over \$500,000 per day, had seen its performance efficiency (percentage of contracts awarded on time) slip from 100.9 in FY78 to 90.9 in FY80.

There are widespread concerns on the part of procurement managers over the quality of procurement actions. One concern centers on time pressures that result when the workload increases at a greater rate than does the workforce. In such cases, productivity is emphasized. The following statistic from a DLA hardware center demonstrates the reason for the emphasis: if it were to take one additional minute to process each small purchase, the center would lose 2% of its productive capability. Managers generally agree that the

emphasis on productivity can lead to lower quality. At some locations, reviews of procurement actions are being reduced in number and depth, even though this increases the risks of lower quality or improper transactions.

The quality of a negotiated procurement is difficult to judge. The exact amount of competition that could have been obtained can only be ascertained by an in-depth study of the circumstances of each individual procurement. The reasonableness of a forecast of contract costs can be determined only by an analysis of the data on which the price agreement was reached, and the decision as to what is a reasonable accommodation of conflicting objectives of the Government and the contractor requires seasoned judgment. At one system acquisition activity, 42% of the contract specialists were trainees, while one central procurement activity had 50% of its contract specialists in a training status. Procurement managers were very concerned about the need to use inexperienced negotiators at the bargaining table.

Another concern is the ability to train new personnel. Ten of the 15 activities visited had not been allocated enough spaces in training courses required for career progression. Another activity's training needs equated to 20 man-years of time. The lack of funds and unwillingness to release people for outside training were being accommodated by increases in on-the-job training and both in-house and correspondence courses. A number of managers also noted the increased need for training to acquaint personnel with changing procurement regulations, such as the P.L. 95-507 requirements, implementation of OMB's Circular A-76, and the Service Contract Act requirements. Underlining the wide variance in the personnel situations at individual activities, some major commands, which had stable workforces, experienced little or no concern about the adequacy of training resources.

## COMPENSATING ACTIONS

It is clear that, at many procurement activities, the procurement workforce is not large enough to handle the work on hand. This situation prevails even in those activities that have adopted labor-saving techniques and other innovations.

The use of computers in the procurement process has increased significantly. While all DoD components use computers to some degree, DLA and AFLC have developed computer applications far beyond those of any other activities. The DLA's automated small purchase system is an integral component of the agency's overall standard automated materiel management system. The development and refinement of this system is such that during FY 1980, 41.4% of the small purchases by the DLA hardware centers were fully automated. The Air Force Logistics Command's automated procurement system (used at all five air logistics centers) is designated the JO-23. This system prepares the various solicitation and contract documents. Approximately 65% of AFLC's contract actions are accomplished through this automated system.

System acquisition activities generally do not have automated purchase systems. However, most use word processing machines for drafting contract documents. DARCOM is pioneering a procurement automated document and data system using computer technology to draft major contractual documents and reduce repetitive recording of the same procurement data elements.

Both Air Force and Army have standard automated systems for base procurement activities. Other computer applications include automated bid lists, computer terminals used by pricing personnel to assess changes in complex proposals, and the automation of procurement management information systems.

Recognizing that personnel shortages may be endemic, several activities have developed systems that give priority to the most important elements in

their workload. Quite naturally, each activity tailors the system to its particular responsibilities and functions.

Another innovation is the use of manpower utilization and projection systems. AFLC has developed its E-841 system so that managers can determine the probable mix of complexity of projected workload, convert these data into manpower requirements, and assign personnel resources accordingly. DARCOM is expanding AFLC's system to develop its procurement automated manpower utilization and projection system (PAMUPS). This will enable DARCOM headquarters staff to allocate procurement personnel among its subordinate commands according to needs related to projected workload.

In another innovative move, which recognizes the excess of demand over supply for skilled personnel in the procurement field, several activities have developed upward mobility and other training programs which introduce people to the procurement process at low grade levels. These offer promise of long-range stability of this portion of the procurement workforce.

While many local innovations testify to professionalism and vitality in DoD procurement activities, one practice stands out. This is the adaptation of the "quality circle" concept at the Naval Supply Center, Charleston, South Carolina, where it is called a "work circle." This program involves the workforce in the solution of its problems, has engendered many local improvements, and offers promise of widespread benefits from expanded applications.

#### SUMMARY

The findings from the review of the current status of workload and workforce at selected activities are summarized as follows:

- A significant number of DoD procurement activities do not have enough people to process their current workload. Other activities reported a good balance between workload and workforce.
- Even where sophisticated systems for determining staffing requirements exist, personnel requirements are not met.

- Excessive workloads appear to cause increased personnel loss rates and increased training demands.
- Certain actions taken to counteract workload/workforce imbalances tend to increase the Government's overall costs.
- There are significant concerns among procurement managers over the need to assign major procurement responsibilities to relatively inexperienced personnel.
- Positive actions and innovations by various procurement activities compensate to some extent for workload/workforce imbalances.

### 3. CONCLUSIONS AND RECOMMENDATIONS

#### CONCLUSIONS

The number of procurement actions above significant dollar thresholds has increased markedly and legislative and administrative actions as well as economic factors and changing market conditions have made the procurement task more complex, demanding, and time-consuming. At many activities, increases in the number of procurement personnel have not been sufficient to offset the increased workload and, throughout DoD, the experience level of contract specialists has decreased significantly.

There is, as a result, an imbalance between workload and staffing at many DoD procurement activities, and where such imbalance exists, the performance of the procurement function is degraded. This degradation shows up in increased costs to the Government due to the increased use of unpriced actions, increased inventory costs to reduce the number of buys required, reduced number of essential reviews, and an increase in the use of inexperienced negotiators.

OSD has proposed legislative changes to increase the dollar threshold at which certain requirements apply and is taking a critical look at administrative requirements. These actions, if successful, should help reduce workload and the complexity of the procurement process.

Although use of computers and other automated processes has increased in the past six years and appears to have greatly improved productivity of some DoD procurement activities, their full potential has not yet been reached.

The development of information systems that give procurement managers at major commands historical records of work on hand and in process (such as is

now done in DLA and AFLC) is a necessary first step to assuring adequate staffing for the procurement function and more equitable distribution of available personnel. The different organizational structures and methods of operation would make a uniform DoD-wide management information system counter-productive.

Productivity measurement is both feasible and necessary in the procurement field. The practicability of productivity measurement, and its uses in projecting personnel requirements, has been amply demonstrated by the Air Force Logistics Command's Central Contract Manpower Management System (E-841). With the capability provided by such a system, procurement activities can document the need for specific numbers of people.

Despite the prospects for long-term improvement in the balance between workload and workforce by reducing complexity and increasing productivity, an immediate increase in the number of people assigned to understaffed procurement activities is needed.

#### RECOMMENDATIONS

LMI recommends the following actions:

1. To provide the information necessary as a first step to assuring adequate staffing and equitable distribution of available personnel at subordinate procurement activities, each DoD component should require its major procurement commands to develop and publish on a regular basis a report of work on hand and in process, identifying at a minimum:
  - Number and age of purchase requisitions on hand.
  - Number and age of outstanding actions waiting to be priced.
2. As an impetus to increasing productivity, OUSDRE should designate one DoD component as the lead service to increase automation of procurement processes and preparation of procurement documents throughout DoD.
3. To hasten the time when procurement management personnel will have the data necessary to document personnel requirements, OUSDRE should designate one DoD component as the lead service to develop work measurement and manpower utilization and projection systems usable by all DoD procurement activities.

## APPENDIX A

### OFFICES AND ACTIVITIES VISITED

Deputy Assistant Secretary of the Army (Acquisition)  
Director Acquisition & Contract Policy, Office of the Assistant Secretary of  
the Navy, Manpower, Reserve Affairs & Logistics  
Deputy for Acquisition, Deputy Assistant Secretary of the Air Force (Programs  
and Acquisition)  
Executive Director, Contract Management, Defense Logistics Agency

Headquarters, Army Materiel Development and Readiness Command  
Headquarters, Naval Material Command  
Headquarters, Air Force Systems Command  
Headquarters, Air Force Logistics Command  
Executive Directorate for Contracting, Defense Logistics Agency

U.S. Army Missile Command, Huntsville, Alabama  
U.S. Army Communications and Electronics Readiness Command, Fort Monmouth, New  
Jersey

Headquarters, Naval Air Systems Command  
Headquarters, Naval Electronics Systems Command  
Headquarters, Naval Sea Systems Command  
Headquarters, Naval Supply Systems Command  
U.S. Navy Regional Contracting Office, Washington, D. C.  
U.S. Navy Ships Parts Control Center, Mechanicsburg, Pennsylvania  
U.S. Naval Aviation Supply Center, Philadelphia, Pennsylvania  
U.S. Navy Supply Center, Charleston, South Carolina

Aeronautical Systems Division, Air Force Systems Command, Wright Patterson Air  
Force Base, Ohio  
Warner Robins Air Logistics Center, Robins, Georgia  
Rome Air Development Center, Rome, New York

Defense Electronics Supply Center, Dayton, Ohio  
Defense Fuel Supply Center, Alexandria, Virginia  
Defense Industrial Supply Center, Philadelphia, Pennsylvania  
Defense Contract Administration Service Management Area Office, Baltimore,  
Maryland

## APPENDIX B

### DAR DOLLAR THRESHOLDS REQUIRING OR PERMITTING ACTION

Indications as to the relative complexity of a procurement can be derived from analysis of regulatory requirements activated at specific dollar levels. We have identified 317 special requirements in the DAR activated at one of 49 dollar thresholds, as summarized in the following table. Each of the 317 requirements is discussed in subsequent paragraphs.

#### DAR DOLLAR THRESHOLDS REQUIRING OR PERMITTING SPECIFIC ACTIONS (AS OF 1 MAY 1981)

<u>Dollar Threshold</u>	<u>Number of Actions</u>	<u>Dollar Threshold</u>	<u>Number of Actions</u>
\$25 or less	3	More than \$250,000	3
\$50 or more	1	Not less than \$300,000	1
\$100 or less	3	\$350,000 or less	1
\$150 or less	1	More than \$350,000	1
More than \$250	1	\$500,000 or less	3
\$500 or less	2	More than \$500,000	10
More than \$500	2	\$1 million and less	2
\$1,000 or less	7	More than \$1 million	13
\$1,000 or more	8	\$2 million or less	2
\$2,000 or less	1	More than \$2 million	3
More than \$2,000	8	\$3 million or less	2
\$2,500 or less	8	More than \$3 million	2
More than \$2,500	11	\$5 million or less	2
More than \$5,000	6	More than \$5 million	3
\$10,000 or less	39	\$10 million or less	1
More than \$10,000	63	More than \$10 million	1
\$25,000 or less	8	\$15 million	1
More than \$25,000	13	\$20 million or less	1
\$50,000 or less	9	\$25 million or less	1
More than \$50,000	10	More than \$25 million	2
\$100,000 or less	13	More than \$35 million	1
More than \$100,000	36	More than \$50 million	1
More than \$196,000	1	More than \$100 million	1
More than \$200,000	3	More than \$200 million	1
\$250,000 or less	1	Total actions	317
		Total thresholds	49

#### \$25 OR LESS

1. Imprest funds may be used to pay for local delivery, parcel post, and similar charges of \$25 or less for supplies ordered for payment from imprest funds. (3-607.3(b))
2. Supplies do not have to be procured from GSA stock if the order amounts to \$25 or less. (5-200)
3. Supplies listed in the "Schedule of Products made in Federal Penal and Correctional Institutions" may be purchased elsewhere without clearance from Federal Prison Industries, Inc. if the total cost of the order is \$25 or less. (5-407)

#### \$50 OR MORE

1. All PRs involving estimated expenditures of \$50 or more for items centrally managed at inventory control points will be annotated to indicate that DoD-wide review of assets has been started, or completed. (1-302.1)

#### \$100 OR LESS

No contract price adjustment of less than \$100 shall be made for:

1. Any Federal excise tax or duty that takes effect after the contract date (7-103.10(a) for advertised and certain negotiated contracts).
2. Any Federal, state, or local tax the contractor is required to pay or bear the burden of and not included or specifically excluded from the contract price or increased after the contract date (7-103.10(b) for noncompetitive negotiated contracts).
3. Any taxes, duties, and charges for doing business the contractor is required to pay or bear the burden of and not included in or specifically excluded from the contract price or increased after the contract date (7-103.10(d) for foreign contracts not with foreign governments).

#### \$150 OR LESS

1. Imprest funds may be used in accomplishing small purchases, if supplies or services are available for delivery within 30 days, the purchase does not require detailed technical specifications or technical inspection, and the transaction is not in excess of \$150 (\$300 under emergency conditions). (3-607.3(a))

#### MORE THAN \$250

1. Charges for royalties totaling more than \$250 in contracts with common carriers, require additional information to be furnished with the offer, proposal, or quotation. (7-1701.12 and 7-2003.42)

#### \$500 OR LESS

1. Small purchases not exceeding \$500 may be accomplished without securing competitive quotations and action to verify price reasonableness need be taken only if the contracting officer suspects the offered price. (3-604.1)
2. Under concurrent BPAs for similar items, calls not in excess of \$500 shall be equitably distributed. (3-605.4)

#### MORE THAN \$500

1. Generally, solicitations for small purchases in excess of \$500 shall be limited to three suppliers and restricted to the local trade area. Quotations generally should be solicited orally. Reasonableness should be based on competitive quotations. (3-604.2(a) and (b))
2. Orders in excess of \$500 placed against Federal Supply Schedules with multiple source provisions, at other than the lowest schedule price, will be justified in the contract file. (5-106(a))

#### \$1,000 OR LESS

1. The contracting officer may delete the "Taxes" clause from DD Form 1155r-1 in purchases under \$1,000 if he determines that the administrative burden of securing relief would be disproportionate to the relief (except for certain contracts in support of NATO infrastructure programs). (3-608.2(b)(2))
2. Contracts with nonprofit institutions of higher education and nonprofit organizations whose primary purpose is to conduct scientific research shall provide for transfer of title to contractors of equipment having acquisition cost of less than \$1,000. (4-116.4)
3. Item with annual sales of less than \$1,000 may be deleted from Federal Supply Schedules mandatory upon DoD, without prior concurrence of SecDef. (5-102.4(a))
4. Contractor will notify the contracting officer in writing, at least 30 days in advance, of intention to acquire or fabricate special test equipment and give the contracting officer the aggregate estimated cost of all items and components with individual costs less than \$1,000. (7-104.26)
5. Contractors shall not (with certain exceptions stated) be provided facilities having a unit cost of less than \$1,000. (13-301(f))
6. Summary stock records may be kept for plant equipment costing less than \$1,000, unless individual records are needed for control or other purposes. (B-306(d) and C-306(b))

7. All Government material and plant equipment having an acquisition cost less than \$1,000 shall be identified as Government property, with exceptions stated. (B-402 and C-402))

#### \$1,000 OR MORE

1. Contracts with nonprofit educational or research institutions shall provide for transfer of title to equipment costing \$1,000 or more purchased with funds available for the conduct of basic and applied research, in accordance with guidelines in 4-116.4(c)(2).
2. When requested by the contractor, payment for accepted partial deliveries shall be made whenever payment would equal or exceed \$1,000 or 50% of the total contract amount. (7-103.7)
3. If contract provides for payments aggregating \$1,000 or more, claim may be assigned. (7-103.8, 7-602.8 and 7-607.6)
4. Contractor will notify the contracting officer in writing, at least 30 days in advance, of intention to acquire or fabricate special test equipment and give stated information for each item costing \$1,000 or more. (7-104.26)
5. Contractor shall notify the contracting officer in advance of entering into any subcontract which provides for fabrication or acquisition of special test equipment having a value in excess of \$1,000. (7-203.8(a) and 7-402.8(a))
6. DD Form 1419 shall be submitted to DIPEC before acquiring new facilities (listed in the joint DoD handbooks which are listed in 13-312) or special test equipment having an item acquisition cost of \$1,000 or more. (13-301(g) and 13-306.5)
7. Under cost-reimbursement and letter contracts, which shall include Subcontracts clauses in either 7-203.8 or 7-402.8, consent is required for subcontracts for fabrication or other acquisition of special test equipment having a value in excess of \$1,000. (23-201.2(a))
8. Individual item records of each item of Government-owned plant equipment having a unit cost of \$1,000 or more shall be maintained. (B-306(a) and C-306(a)). Transportation and installation costs directly borne by the Government for each such item of Government-owned plant equipment also shall be recorded within the property control system. (B-316)

#### \$2,000 OR LESS

1. Contracts for construction and architect-engineer services executed after formal advertising and estimated not to exceed \$2,000 shall use SFs 19 and 19-B. (16-401.2(a))

#### MORE THAN \$2,000

1. Construction contracts in excess of \$2,000 will be solicited in writing. (3-604.2(a))
2. Cost-reimbursement type contracts for construction shall include the requirement that the contractor will reduce to writing, unless waived by the contracting officer, every contract in excess of \$2,000, insert therein a provision that such contract is assignable to the Government, make all such contracts in his own name and not bind or purport to bind the Government or the contracting officer thereunder. (7-605.21)
3. Certain stated revisions shall be made to SF 19-A, Labor Standards Provisions, applicable to advertised construction contracts in excess of \$2,000 where work is to be performed in the U.S. (16-401.1(ii))
4. If it is indicated that the low bid may exceed \$2,000, SF 19-A, as modified in 16-401.1(ii), should be attached to the SF 19 and SF 19-B, the specifications should include the appropriate wage determination, and requirement for a bid guaranty should be inserted in SF 19. (16-401.2(a))
5. SFs 19 and 19-B may be used for advertised construction contracts estimated to exceed \$2,000 but not to exceed \$10,000. SF 22 also may be used. In the alternative, forms prescribed for contracts estimated to exceed \$10,000 may be used. (16-401.2(b))
6. Performance evaluation reports will be prepared for every construction contract over \$2,000 that is terminated for default. (18-106.2(a)(2))
7. Every construction contract in excess of \$2,000 for work within the U.S. will contain the clauses set forth in 7-602.23(a) and listed by title here. (18-703.1)
8. Every construction contract in excess of \$2,000 for work in Puerto Rico, the Virgin Islands, outer continental shelf lands, American Samoa, Guam, Wake Island, Eniwetok Atoll, Kwajalein Atoll, Johnston Island or the Canal Zone shall include clauses in 7-602.23(a)(ii); 7-602.23(a)(vii), modified; and 7-602.23(a)(viii), modified. (18-703.2)

#### \$2,500 OR LESS

1. Coordinated procurements under a small dollar limitation shall be made in accordance with approved implementing procedures covering the particular assignment. Normally, that limitation shall be \$2,500, but in special situations, the limit may vary. Requirements of a value or a quantity below the prescribed limitation shall wherever feasible be procured by the Requiring Department. (5-1103.3)
2. The FPI clause for use in fixed-price construction contracts excludes firm fixed-price subcontracts not in excess of \$2,500 from the provision for examination or audit of a subcontractor's books and records, together with flowdown to lower tier subcontracts. (7-603.23)

3. Service contracts not in excess of \$2,500 will include clause requiring payment of minimum wages, unless otherwise exempted pursuant to 29 CFR 4.6. (7-1903.41(b))
4. SF 44 (Purchase Order -- Invoice -- Voucher) is authorized for use only when no other small purchase method is considered more suitable and the transaction is not in excess of \$2,500, supplies and services are immediately available, and one delivery and one payment will be made. (3-608.9)
5. Procurements not in excess of \$2,500 per line item are general exclusions to applicability of commodity assignments made to a Military Department (except DLA). (5-1201.1)
6. Priorities, allocations, and allotments clause, 7-104.18, shall be inserted in or attached to all ratable contracts except that no such clause need be attached to purchase orders of less than \$2,500 which are not rated. (1-307.2)
7. Clause implementing the provisions of the Contract Work Hours and Safety Standards Act, relating to overtime, will not be included in contracts of \$2,500 or less in aggregate amount. (12-302(v))
8. Purchase of nondomestic construction material on the basis of "nonavailability," estimated not to exceed \$2,500, shall be made only if approved by an official at a level above the contracting officer. (18-508.1(b)(iv))

#### MORE THAN \$2,500

1. Proposed acquisitions over \$2,500 not subject to simplified small purchase procedures shall be reviewed for set-aside for exclusive participation by small firms. (1-706.1(c))
2. The contracting office, when requested by the SBA representative, will make available all proposed acquisitions expected to exceed \$2,500 on which unilateral set-asides have not been made or otherwise reserved for small business. Objective of SBA review is to consider individual set-asides. (1-706.1(b))
3. Unless the aggregate of orders under a planned blanket purchase agreement is reasonably anticipated to be \$2,500 or less, the Contract Work Hours and Safety Standards Act -- Overtime Compensation Clause (7-103.16(a)) shall be added to the DD Form 1155. (3-605.3(b)(1)(i))
4. If the BPA is for the intended purchase of services covered by the Service Contract Act of 1965, as amended, and the aggregate of orders to be placed thereunder is reasonably anticipated to be \$2,500 or less, clause in 7-1903.41(a) or (b) shall be substituted for Clause 16 of the General Provisions (DD Form 1155r) and procedures in 12-1005 complied with. (3-605.3(b)(1)(ii))

5. The provisions of the "Affirmative Action for Handicapped Workers" clause will be included in every subcontract or purchase order of \$2,500 or more unless exempted by rules, regulations, or orders of the Secretary issued pursuant to Section 503 of the Act. (7-103.28)
6. Clause, "Service Contract Act of 1965, as amended," shall be included in each contract in excess of \$2,500, the principal purpose of which is to furnish services in the U.S. and which is not otherwise exempted. (7-1903.41(a))
7. The "Federal, State, and Local Taxes" clause 7-103.10(a) shall be used in any negotiated fixed-price contract (other than those made under small purchase procedures) in excess of \$2,500 but not in excess of \$10,000. (11-401.1(a))
8. The provisions in 7-2003.78 and 7-2003.79 relating to the compensation of professional employees shall apply when the proposed contract will be in excess of \$2,500 and three other conditions are present. (12-1007.3)
9. "Employment of the Handicapped" clause (7-103.28) shall be included in every contract for \$2,500 or more or expected to exceed \$2,500. No contracting officer, contractor, or subcontractor shall procure supplies or services in less than usual quantities to avoid the applicability of this clause. (12-1302(a))
10. An independent Government estimate of the cost of architect-engineer services shall be prepared prior to the negotiation of each proposed contract, or modification thereto affecting price, expected to exceed \$2,500 in amount. (18-108.2)
11. If the A-E contract is estimated to cost more than \$2,500, selection criteria should be established in advance and selection will be made by a formally constituted board. (18-402.2(b))

#### MORE THAN \$5,000

1. The clause providing for price adjustment for standard supplies (7-106.3) should normally be used only when the total contract price is over \$5,000. (3-404.3(c))
2. The clause providing for price adjustment for semistandard supplies (7-106.4) should normally be used only when the total contract price is over \$5,000. (3-404.3(d))
3. A blanket purchase agreement may not be used when a call exceeds \$5,000, except ICPs can place BPA calls up to \$10,000 and calls for subsistence items are unlimited as to dollar value.

4. Contracts with nonprofit educational or research institutions shall provide that title for equipment purchased with funds available for the conduct of basic and applied research shall vest in the Government when it is determined that vesting of title in the institution would not further the objectives of the Department's research program. The determination must be made at a level higher than the contracting officer if the item has an acquisition cost of more than \$5,000. (4-116.4(c)(2)(iii))
5. "Patent Indemnity" clause (7-104.5) shall be modified for communication service contracts by adding a (b) paragraph making it applicable only to individual communication service authorizations over \$5,000 and covering only those communication services and facilities which normally are or have been sold or offered for sale by the contractor to the public. (7-1701.10)
6. Certified cost or pricing data shall not be required to support annual recurring communication service costs below \$5,000. (22-1007(b))

\$10,000 OR LESS

1. For appeals under the "Disputes" clause, the contractor may, solely at its discretion, proceed under the Board of Contract Appeals small claims procedure for claims \$10,000 or less. (1-314(i)(2)(i))
2. For procurements not in excess of \$10,000, when specifically requested for inclusion by the contractor, the "Limitation of Liability" clause in 7-104.45(a) or 7-1912 may be used with the DD Form 1155. (1-330(b)(5))
3. Inquiry and agreement in regards to contingent or other fees need not be made and submission of SF 119 need not be requested in connection with any negotiated contract in which the aggregate amount does not exceed \$10,000. (1-506.3)
4. Except as provided in 3-603.1(g), all proposed acquisitions with an anticipated value of \$10,000 or less, which are subject to small purchase procedures, are small business-small purchase set-asides. Each solicitation shall contain the clause in 7-2003.32. (1-702(c))
5. Both the classification of the product or service and the applicable size standard shall be set forth in each solicitation of \$10,000 or less which is a small business set-aside. (1-703(c)(1))
6. Federal and military specifications need not be used for purchases of items in an amount not to exceed \$10,000 unless required by departmental instructions. (1-1202(b))
7. Pursuant to 10 U.S.C. 2304(a)(3), purchases and contracts may be negotiated if the aggregate amount involved is not more than \$10,000. (3-203.1)

8. In procurements of \$10,000 or less, and subject to the exceptions in 3-508.1, the information furnished routinely to unsuccessful offerors in procurements in excess of \$10,000 shall be furnished upon request. (3-508.3(b))
9. There are simplified procedures for procurement of supplies, nonpersonal services, and construction, the aggregate amount of which does not exceed \$10,000. These procurements are referred to as small purchases. (3-600)
10. Each acquisition which has an anticipated value not in excess of \$10,000 and which is subject to small purchase procedures is a small business-small purchase set-aside unless the contracting officer determines that there is no reasonable expectation of obtaining two or more quotations in excess of \$500 or at least one quotation not in excess of \$500 or (ii) is unable to obtain quotations that are, in either case, competitive with market prices in the industry and competitive in terms of quality and delivery. Source lists maintained for acquisitions not exceeding \$10,000 shall include all known small business concerns. (3-603.1(g))
11. BPA calls up to \$10,000 may be placed by inventory control points. (3-605.2)
12. Where a BPA is for the intended purchase of supplies, the "Walsh-Healey Public Contracts Act" clause shall be added, unless the agreement limits the aggregate total dollar amount of orders to be placed thereunder to \$10,000. (3-605.3(b)(iii))
13. One condition for use of the fast payment procedure is that individual orders do not exceed \$10,000, except orders for brand name commissary resale subsistence, and commercial type medical supplies for direct shipment overseas. (3-606.2(i))
14. DD Form 1155 is authorized for negotiated purchases of not more than \$10,000 within the U.S., its possessions, and Puerto Rico, subject to specific provisions. (3-608.2(b)(1))
15. DD Forms 1155 and 1155r-1, with executed contractor's acceptance when required, are authorized for negotiated purchases of not more than \$10,000 when such purchases are for supplies and services procured and used outside the U.S., its possessions, and Puerto Rico, subject to specific provisions. (3-608.2(b)(2))
16. Use of the "Government-Furnished Property (Short Form)" clause, 7-104.24(f), is optional when the acquisition cost of property furnished for repair is not in excess of \$10,000. (3-608.2(b)(1)(viii) and 3-608.2(b)(2)(ii)(C))
17. The requirement to conduct written or oral discussions with all responsible offerors who submit proposals within a competitive range does not need to be applied to procurements of \$10,000 or less. (3-805.1)
18. Orders for paid advertisements placed directly with the media shall be issued on DD Form 1155 if not in excess of \$10,000. (4-803.3) Upon receipt of the invoice, the officer placing the advertisement shall attach

appropriate supporting documents and sign the certificate in Block 36 of DD Form 1155. (4-803.5)

19. Purchasing offices are authorized to make procurements not in excess of \$10,000 by oral orders from Federal Supply Schedule contractors. (5-107(a)(1))
20. Exceptions to the Defense Appropriations Act restriction on the availability of appropriated funds for acquisition of any article of food, clothing, cotton, wool, woven silk, and woven silk blends, spun silk yarn for cartridge cloth and synthetic fabric, not grown or produced, or specialty metals not melted in steel manufacturing facilities, in the U.S. or its possessions (6-300 & 6-302) include: small purchases involving a total dollar amount not in excess of \$10,000; and acquisitions of end items incidentally incorporating cotton, or wool, of which the estimated value is not more than 10% of the total price of the end item, provided that the estimated value does not exceed \$10,000 or 3 percent of the total price of the end item, whichever is greater. (6-303(v) and (vi))
21. Acquisitions of end products (including construction materials) and applicable services for use outside the U.S. should be made without regard for the origin of the end products if they are small purchases, that is, acquisitions by contracting officers located outside the U.S. which are estimated not to exceed \$10,000 in foreign cost. (6-803.2(a)(ii))
22. Clause 7-104.58(a), "Identification of Expenditures in the United States," shall be included in each contract of \$10,000 that requires the contractor to furnish U.S. end products unless the contractor is a domestic concern and the Government will take title to the supplies to be furnished within the U.S. or, in the case of a contract for construction, repair, or maintenance of real property, or for services, to be performed outside the U.S., either (A) requires the contractor to acquire specified materials, equipment, or services from U.S. sources, or (B) is a contractor who is a domestic concern. (6-804(a))
23. The "Data Requirements" clause does not need be included in any contract, of which the aggregate amount involved does not exceed \$10,000 and in any BPA and purchase order using DD Form 1155. (7-104.9(n))
24. The "Allowable Cost, Fee, and Payment" clause (7-203.4(a)) inserted in all cost-reimbursement type research and development contracts may be modified for contracts without fee for nonprofit institutions to lower the limit on the amount of withheld funds to \$10,000. (7-402.3(c)(6))
25. "Termination for Convenience of the Government" clause, in accordance with 8-705.2, shall be inserted in contracts not exceeding \$10,000. (7-602.29(b))
26. The termination contracting officer (TCO) may, upon written request of the prime contractor, authorize him in writing to conclude settlements of \$10,000 or less of his terminated subcontracts, without approval or ratification by the TCO, but subject to three specified conditions. (8-209.4(a)(1))

27. DD Form 831 may be used when the total settlement claim is less than \$10,000 unless otherwise instructed by the TCO. (8-307.1(d))
28. The short form termination clause in 7-103.21(a) is authorized for use in fixed-price supply or service contracts not to exceed \$10,000. Where DD Form 1155 is used for purchases not in excess of \$10,000, clause 19 of that form shall be used instead. (8-705.1(a) and (b))
29. A patent indemnity clause shall not be used when the contract is for an amount of \$10,000 or less, except that the clause need not be deleted where it is a part of a standard form being used for contracts of \$10,000 or less, since it is self-deleting as to such contracts. (9-103(iv))
30. The clauses in 7-603.10 and 7-104.65, generally used in contracts requiring work on a Government installation, are not required for contracts of \$10,000, or less, when only a small amount of work is required on a Government installation and when all work on a Government installation is to be performed outside the U.S., its possessions, and Puerto Rico. (10-405(a))
31. The "Federal, State, and Local Taxes" clause, 7-103.10(a), shall not be used in formally advertised construction contracts which do not exceed \$10,000. (11-401.1(a)(1))
32. Individual contracts or subcontracts of \$10,000 or less are exempt from application of the equal opportunity clause, unless the aggregate value of all contracts and subcontracts awarded to a contractor or subcontractor in any 12-month period exceeds or reasonably can be expected to exceed \$10,000. (12-808(a))
33. Two copies of SF 99, Notice of Award of Contract, will be prepared for contracts of \$2,500 or more but less than \$10,000; for the initial order, if less than \$10,000, under an indefinite delivery type contract or BOA; and for the initial call under a BPA, each type containing clause 7-1903.41(a) (Service Contract Act). (12-1005.5(a))
34. Request for Quotation, SF 18, may be used for acquisitions under \$10,000 when written solicitations of quotations are required. (16-102.1(b)(2))
35. Either DD Form 1155 or SF 19, revised as indicated, shall be used for negotiated construction contracts not exceeding \$10,000. (16-402.2(a))
36. Small purchase procedures and SF 19 and DD Form 1155 may be used in negotiating construction procurements of \$10,000 or less. (18-302)
37. Purchase of nondomestic construction material on the basis of nonavailability, when the material is not listed on 6-105, shall be made only if the purchase is approved by the principal staff officer responsible for procurement within the procuring activity (or, in the AF, within the major air command) concerned, if the cost of such materials is estimated not to exceed \$10,000. (18-508.1(b)(iii))

38. A DD Form 1057, Monthly Procurement Summary Report, shall be prepared by each purchasing office of DoD to which a reporting office code has been assigned. DD Form 1057 shall include all debit or credit procurement actions of \$10,000 or less involving appropriated funds, contract authorizations, etc. Exclusions also are stated. (21-201(a) and (b))
39. A contract accorded limited administration and having a face value of \$10,000 or under is closed when the PCO receives evidence of physical completion. (S2-301.2) For all contracts not in excess of \$10,000, the contracting officer shall include in the contract file a statement that all contract actions have been completed. (S2-302.1)

MORE THAN \$10,000

1. Each formally advertised procurement over \$10,000 which involves identical bids must be reported to the Attorney General. (1-114)
2. With stated exceptions, the limitation of liability clause in 7-104.45(a) shall be inserted in all contracts exceeding \$10,000. This relieves the contractor from liability for loss of or damage to Government property except for end items delivered under the contract. (1-330(b))
3. Both the classification of the product or service and the applicable size standard shall be set forth in each solicitation in excess of \$10,000. (1-703(c)(1))
4. Use of the combined small business-labor surplus area set-aside procedure shall be considered for acquisitions exceeding \$10,000. (1-706.7(b))
5. The "Utilization of Small Business and Small Disadvantaged Business Concerns" clause (7-104.14(a)) shall be included in all contracts exceeding \$10,000 except those which, including all subcontracts, will be performed entirely outside any state, territory, or possession of the U.S., the District of Columbia, or the Commonwealth of Puerto Rico or those which are for services personal in nature. (1-707.3(a))
6. To encourage the use of women-owned businesses in subcontracting, the clause in 7-104.52 shall be included in all contracts expected to exceed \$10,000, with stated exceptions. (1-708(b))
7. When the contract is estimated to exceed \$10,000:
  - (i) Negotiated contracts, where acquisition objectives permit, shall be awarded to labor surplus area (LSA) concerns, but no price differential will be paid;
  - (ii) Acquisitions, when appropriate, shall be made from LSA concerns by partial set-aside procedures and given precedence over any small business set-aside;
  - (iii) Information identifying LSA shall be disseminated promptly to contracting personnel; (three other applications of policy are included). (1-803(a))

8. Records of the total value of all contracts in excess of \$10,000 placed with LSA concerns during each fiscal year are maintained by each Department. Solicitation of bids and proposals for any contract estimated to exceed \$10,000, shall request any information needed to determine whether the offeror is a LSA concern. Contract files shall be documented to indicate extent to which LSA concerns were considered and actions taken. (1-803(b))
9. "Utilization of LSA Concerns" clause, 7-104.20(a) shall be inserted in all contracts which may exceed \$10,000, except contracts with foreign contractors which, including all subcontracts, will be performed outside the U.S., its possessions, Puerto Rico, and the Trust Territory of the Pacific Islands; contracts for services which are personal in nature; contracts for construction; and contracts with the petroleum and petroleum products industry. (1-805.3(a))
10. Every proposed advertised procurement, with stated exceptions, which may result in an award in excess of \$10,000 shall be publicized promptly in the Commerce Business Daily "Synopsis of U.S. Government Proposed Procurement, Sales and Contract Awards." (1-1003.1(a))
11. In connection with industrial preparedness production planning for each planning item, planned producers will be solicited in all procurements over \$10,000 of items for which they have signed industrial preparedness agreements (but see 1-706 and 1-804.1 as pertain to partial set-asides for small business and labor surplus). (1-2206(a))
12. Except for procurement of electric power or energy, gas, water, or other utility services, and procurement of educational services from nonprofit institutions, contracts in excess of \$10,000 shall not be negotiated on a noncompetitive basis without prior review at a level higher than the contracting officer to assure compliance with this subparagraph (which states that negotiated procurements shall be on a competitive basis to the maximum practical extent). (3-101(d))
13. Purchases and contracts for medicine or medical supplies may be negotiated and this authority shall be used only when two requirements have been satisfied. The second requirement is: whenever practicable, such advance publicity as is considered suitable shall be given for at least 15 days before making a purchase for more than \$10,000. (3-207.2(ii))
14. Purchases and contracts for property for authorized resale may be negotiated. Whenever practicable, such advance publicity as is considered suitable shall be given for at least 15 days before making a purchase for more than \$10,000. (3-208.2(b))
15. In any procurement in excess of \$10,000 in which proposal evaluation is likely to exceed 30 days or in which a number of suppliers have been selected for discussion, the contracting officer shall notify promptly the source or sources submitting unacceptable proposals. (3-508.2(a))
16. Promptly after making all awards in any procurement in excess of \$10,000, the contracting officer shall give written notice to unsuccessful offerors that their proposals were not accepted. (3-508.3(a))

17. Procurements initially estimated to exceed \$10,000 shall not be made by the small purchase method, even though resulting awards do not exceed that amount. (3-600)
18. "Examination of Records" (7-104.15) and "Listing of Employment Openings" (7-103.27) clauses shall be included in BPAs for subsistence items which do not limit the dollar value of individual calls to less than \$10,000. (3-605.2)
19. A special capital investment incentive clause may be negotiated and included in contracts for research, development, and/or production of weapon systems or material. Capital assets which may be covered by such a clause include only severable industrial plant equipment and other types of severable plant equipment with a unit value in excess of \$10,000. (3-815(b)(2)(i))
20. Normally, contracting officers, technical personnel and small business specialists shall provide to SBA representatives, as early as practicable, the Government's requirements for each proposed R&D procurement exceeding \$10,000. (4-106.1(b)(2))
21. Orders for paid advertisements placed directly with the media shall be issued on SF 26, if over \$10,000. (4-803.3) Upon receipt of the invoice for orders over \$10,000, the officer placing the advertisement shall attach appropriate supporting documents and make a certification similar to that in Block 36 of DD Form 1155 on the second copy of the invoice. (4-803.5)
22. When SF 19 is used for formally advertised construction, the IFB will include a statement that if the bid exceeds \$10,000, the contract also will contain clauses in 7-103.10(a), 7-103.18, 7-104.14(a), and 7-104.15. (2-201(b)(xlvi))
23. In each FMS expected to involve a contract in excess of \$10,000 which cannot be placed on the basis of price competition, before DoD furnishes price information to potential foreign customers, prices, delivery, and other relevant information shall be requested from the potential source. Request shall state that the information is for a potential FMS and identify the customer. (6-1303.2(a))
24. Clause stipulates that if the contract is for the manufacture or furnishing of materials, supplies, articles, or equipment in an amount which exceeds or may exceed \$10,000 and is otherwise subject to the Walsh-Healey Public Contracts Act as amended, all representations and stipulations required by the Act and regulations issued thereunder by the Secretary of Labor, are incorporated by reference. (7-103.17)
25. If, during any 12-month period, including the 12 months preceding award of this contract, the contractor has been or is awarded Federal contracts and/or subcontracts which have an aggregate value in excess of \$10,000, the contractor shall comply with seven provisions of the Equal Opportunity clause. (7-103.18(a) and (b), 7-607.13)

26. Provisions of the "Notice and Assistance Regarding Patent and Copyright Infringement" clause shall be applicable only if the amount of the contract exceeds \$10,000. (7-103.23)
27. Provision of the "Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era" clause requires that state and local Governments holding Federal contracts of \$10,000 or more shall list all their suitable openings with the appropriate office of the state employment service. (7-103.27)
28. "Buy American Act and the Balance of Payment Program" clause shall be inserted in all contracts not using small purchase procedures for supplies, in accordance with 6-103.4, 6-103.7, and 6-803.2(a)(i)-(xi). (7-104.3)
29. If the amount of the contract exceeds \$10,000, the contractor shall indemnify the Government against liability, including costs, for infringement. (7-104.5)
30. Pursuant to 10 U.S.C. 2382 and 7300, the excess profit clause shall be inserted in any contract in an amount which exceeds or may exceed \$10,000, known to be for the construction or manufacture of all or part of any complete aircraft or naval vessel. (7-104.11(a))
31. "Examination of Records by the Comptroller General" clause is applicable if the contract exceeds \$10,000 and was entered into by means of negotiation, including small business restricted advertising, but not applicable if the contract was entered into by means of formal advertising. (7-104.15)
32. The "Notice of Imports -- Possible Duty-Free Entry" clause requires the contractor to notify the contracting officer in writing of any purchase in excess of \$10,000 by the contractor of foreign supplies that are to be imported into the U.S., its possessions, or Puerto Rico, for delivery to the Government or to be incorporated into end items to be delivered to the Government under the contract. The substance of the clause is to be inserted in any first-tier subcontract in connection with which foreign supplies in excess of \$10,000 may be imported by the subcontractor into the U.S., its possessions, and Puerto Rico. (7-104.31(b))
33. "Competition in Subcontracting" clause shall be included in all negotiated contracts over \$10,000, except in firm fixed-price contracts where award is on the basis of effective price competition or where prices are established by law or regulation. (7-104.40)
34. The contractor agrees to prepare and submit the report on geographic distribution of Defense subcontract dollars in accordance with DD Form 2139, for each subcontract or modification thereof exceeding \$10,000. (7-104.78)
35. "Preference for Domestic Specialty Metals" clauses shall be included in all contracts over \$10,000 that call for delivery of an article containing specialty metals. (7-104.93(a) and (b))

36. "Subcontracts" clause requires detailed advanced notification report of all proposed cost-reimbursement type, time and materials, or labor hour subcontracts which involve an estimated amount in excess of \$10,000, including any fee. (7-203.8(a))
37. The "Contractor Inspection System" clause shall be inserted in all construction and A-E contracts in excess of \$10,000. (7-602.10(a))
38. "Termination for Convenience of the Government -- Construction" clause, in accordance with 8-701(a), shall be inserted in contracts over \$10,000. (7-602.29(a))
39. The fixed-price incentive clause for construction contracts requires prior written consent of the contracting officer before placing any cost-plus-a-fee subcontract in excess of \$10,000, including fee. (7-603.23)
40. The "Payment for Mobilization and Preparatory Work" clause authorizes the contracting officer to pay the contractor on the basis of submitted certified accounts of the actual payments made by the contractor for construction plant exceeding \$10,000 in value per unit, acquired for the execution of the work. (7-603.37(a))
41. The "Affirmative Action Compliance Requirements for Construction" clause shall be inserted in all applicable contracts involving construction in excess of \$10,000. It requires the contractor and any subcontractor at any tier to physically include its provisions in each subcontract in excess of \$10,000. (7-603.60)
42. The "Certification of Nonsegregated Facilities" requirement is to be inserted, when not on the solicitation form, and is applicable to contracts, subcontracts, and to agreements with applicants who are themselves performing federally assisted construction contracts, exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity clause. The bidder also agrees to flow the provisions down in subcontracts exceeding \$10,000. (7-2003.14(b)(1)(A))
43. The "Notice of Requirement for Affirmative Action to Ensure Equal Employment Opportunity" shall be inserted in all applicable solicitations involving construction in excess of \$10,000. (7-2003.14(d))
44. Each settlement proposal of \$10,000 or over submitted by a prime contractor shall be referred by the termination contracting officer to the DCAA for appropriate examination and recommendation. (8-208)
45. The "Default" clause, 7-602.5, shall be used in each fixed-price construction contract in excess of \$10,000. (8-709)
46. "Notice and Assistance" clause, 7-103.23, shall be included in all contracts in excess of \$10,000 for supplies, services, construction, or experimental, developmental, or research work, provided that the clause shall not be in contracts when both performance and delivery are to be outside the U.S., its possessions, or Puerto Rico unless the contract indicates that the supplies are ultimately to be shipped into the U.S., its possessions, or Puerto Rico. (9-104)

47. The "Federal, State, and Local Taxes" clause, 7-103.10(a), shall be used in all formally advertised contracts (except construction contracts which do not exceed \$10,000), in all competitively negotiated contracts in excess of \$10,000, and all noncompetitive negotiated contracts in excess of \$10,000 when use of 7-103.10(b) is not required. (11-401.1(a))
48. "Federal, State, and Local Taxes" clause, 7-103.10(b), shall be used in all noncompetitive negotiated fixed-price contracts in excess of \$10,000 when the contracting officer is satisfied the contract price does not include contingencies for state and local taxes and that, unless the clause is used, the contract price will include such contingencies. (11-401.2(a))
49. All contracts subject to the Walsh-Healey Public Contracts Act entered into by any Department for manufacture or furnishing of supplies in any amount exceeding \$10,000 will be with manufacturers or regular dealers and shall incorporate by reference the representations and stipulations required by the Act pertaining to such matters as minimum wages, maximum hours, child labor, convict labor, and safe and sanitary working conditions. (12-601)
50. Any contracting office contemplating a construction project in excess of \$10,000 within a geographical area not known to be covered by specific affirmative action goals shall request instructions prior to issuance of a solicitation. (12-806.2(b))
51. Except as otherwise provided in Section XII, Part 14, every contract for \$10,000 or more or expected to exceed \$10,000 shall include the clause "Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era," 7-103.27. (12-402(a))
52. SF 18, Request for Quotation, is authorized and DD Form 17, Information on Offerors or Quoters, is prescribed for use in negotiated acquisitions in excess of \$10,000 when it is reasonably certain that the acquisition will be consummated by a negotiated fixed-price contract or a cost-reimbursement contract. (16-102.1(b)(1))
53. SFs 19-A, 19-B, 20, 21, 22, 23, and 23-A shall be used for construction contracts estimated to exceed \$10,000 executed as a result of formal advertising. (16-401.2(c))
54. DD Form 1413, Performance Evaluation -- Architect-Engineer Professional Services Contractor, shall be completed by the cognizant construction activity upon the completion or termination of A-E professional services contracts of \$10,000 or more. (16-405.1)
55. SF 255, A-E and Related Services Questionnaire for Specific Project, shall be used to secure supplemental data whenever the fee is estimated at \$10,000 or more (but departmental regulations may permit this threshold figure to be increased to \$25,000). (16-405.3(a)(2))

56. A performance evaluation report shall be prepared by the cognizant construction activity for each construction of \$10,000 or more when any element of performance was either unsatisfactory or outstanding. Report will be prepared at the time of final acceptance of the work. (18-106.2(a)(1))
57. Formally constituted boards of at least three members shall prepare pre-selection lists for contracts for A-E services estimated to cost more than \$10,000 and shall have conducted oral or written discussions with at least all the firms recommended for approval for contract negotiations to the head of the construction activity. (18-402.2(f) and (g))
58. Performance Evaluation -- Architect-Engineer Professional Services Contractor, DD Form 1413, shall be prepared by the cognizant construction activity for each contract over \$10,000 awarded. (18-403.4)
59. Every construction contract in excess of \$10,000 requiring payment of minimum wages determined in accordance with the Davis-Bacon Act for work in Puerto Rico, the Virgin Islands, Outer Continental Shelf Lands, American Samoa, Guam, Wake Island, Eniwetok Atoll, Kwajalein Atoll, or Johnston Island also shall include the clause Apprentices and Trainees, 7-602.23(a)(iii). (18-703.2)
60. DD Form 350, Individual Procurement Action Report, shall be prepared for every debit or credit procurement action in excess of \$10,000 which is executed by a component of DoD, with exceptions stated. (21-102(a))
61. In contracting for communication services, cost or pricing data shall not be required for nonrecurring costs or basic termination liabilities below \$10,000. (22-1007(b))
62. A contract accorded limited administration and having a face value exceeding \$10,000 is closed when it is physically complete and when the PCO receives evidence of final payment. (S2-301.2) When all required actions have been completed the purchasing office shall prepare one of two contract completion statements, either DD Form 1594 or MILSCAP Format Identifier PK9, for all contracts in excess of \$10,000. (S2-302.1)
63. Limited surveillance of the contractor's property control system, while appropriate in many situations, shall not be applied when hazardous or precious metal items valued at more than \$10,000 are provided. (S3-402.1(b)(ii))

#### \$25,000 OR LESS

1. The inquiry and agreement as to employing or retaining any company or person to solicit or secure a contract, specified in 1-506.1, need not be requested in connection with any advertised contract in which the aggregate amount does not exceed \$25,000 and any negotiated contract for perishable subsistence supplies in which the aggregate amount does not exceed \$25,000. (1-506.3(i) and (iii))

2. A pre-award survey, customarily performed to enable a contracting officer to make a determination regarding the responsibility of a prospective contractor, should not be requested for a procurement valued at \$25,000 or less. (1-905.4(b))
3. Under a time and material type contract, the contract may provide for charging material on a basis other than cost if the total estimated contract price does not exceed \$25,000 or the estimated price of material so charged does not exceed 20 percent of the estimated contract price. (3-406.1(d)(i))
4. Certified cost or pricing data shall not be requested prior to the award of any contract anticipated to be for \$25,000 or less. (3-807.3(d))
5. Indirect costs shall be distributed to applicable sponsored agreements on the basis of modified total direct costs, consisting of salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to \$25,000 each. (15-307.2)
6. Where the estimated value of the work is less than \$25,000, advance notices or IFBs and RFPs shall include a statement that the estimated cost of the proposed construction is under \$25,000. (18-109)
7. Use of a liquidated damages clause is optional for contracts of \$25,000 or less. (18-113)
8. In appeals involving \$25,000 or less, either party may elect to have the appeal processed under a shortened and accelerated procedure. (Appendix A, ASBCA Appeals, Preliminary Procedures, paragraph 12)

#### MORE THAN \$25,000

1. There should be relatively few instances where certified cost or pricing data and the inclusion of defective pricing clauses would be justified in awards between \$25,000 and \$100,000. (3-807.3(d))
2. The contractor shall notify the contracting officer reasonably in advance of entering into any subcontract if the contractor's procurement system has not been approved by the contracting officer and if the subcontract is to be a cost-reimbursement, time and materials, or labor-hour contract which it is estimated will involve an amount in excess of \$25,000 including any fee. (7-104.23(a))
3. The contractor shall notify the contracting officer reasonably in advance of entering into any subcontract which is fixed-price type and exceeds in dollar amount either \$25,000 or 5 percent of the total estimated cost of the contract. (7-203.8(a) and 7-402.8(a))
4. Subcontract settlements submitted to the TCO for approval or ratification shall be referred to DCAA for review and recommendations if the settlement involves \$25,000 or more unless an accounting review of the settlement proposal has been performed by DCAA. (8-208(b))

5. A bid guarantee will not be requested unless the bid exceeds \$25,000. (10-102.2)
6. Pursuant to the Miller Act (40 U.S.C. 270a-270e), performance and payment bonds shall be required in connection with any construction contract exceeding \$25,000. (10-103.1(a) and 10-103.2(a)) However, the requirement of a performance and payment bond has been waived for all cost-reimbursement type construction contracts. Contracting officers shall, however, require a cost-reimbursement type prime contractor to obtain performance and payment bonds for any fixed-price construction subcontract exceeding \$25,000. (10-103.3(a))
7. Generally, performance and payment bonds shall not be required in connection with contracts other than construction contracts, except that for any fixed-price construction subcontract exceeding \$25,000, a prime contractor who has not been required to furnish a payment bond shall be required to obtain a payment bond from its subcontractor. (10-104.1(a))
8. An independent Government estimate of construction cost shall be prepared from the plans and specifications for each proposed contract, and modifications thereto, affecting price, anticipated to cost \$25,000 or more. Exceptions are two-step formal advertising and negotiation without detailed plans and specifications. (18-108.1(a))
9. Where the estimated value of the work is \$25,000 or more, advance notices or IFBs and RFPs shall include a statement of the magnitude in terms of physical characteristics of the proposed construction and the estimated cost thereof stated in ranges between \$25,000 and \$100,000, \$100,000 and \$500,000, \$500,000 and \$1 million, \$1 and \$5 million, \$5 and \$10 million, and over \$10 million. (18-109)
10. Annual military construction appropriation acts provide that CPFF construction or A-E contracts estimated to exceed \$25,000 to be performed within the U.S., except Alaska, and to be charged to such appropriations shall not be executed unless the specific written approval of the ASD(I&L), setting forth the reasons therefore, is obtained. (18-112)
11. A liquidated damages clause shall be included in all contracts in excess of \$25,000 except CPFF contracts or those where the contractor can't control the pace of the work. (18-113)
12. Field offices of construction activities within each region of the U.S., less Alaska and Hawaii, shall furnish a quarterly report to each other and to their respective Washington Headquarters of all A-E contracts over \$25,000 (except those involving classified projects) awarded during the quarter. Field offices of construction activities within the rest of the world will furnish such a quarterly report to their respective Washington Headquarters only. (18-404.1)

13. Consent (to a proposed subcontract) is required for fixed-price subcontracts exceeding either \$25,000 or 5% of the total estimated prime contract price under cost-reimbursement and letter contracts unless the contractor's procurement system has been approved. However, notwithstanding procurement system approval, consent will be required under contracts for major systems or subsystems or components thereof. (23-201.2(b)(2))

\$50,000 OR LESS

1. When a claim by or against a contractor cannot be satisfied or settled by agreement and a decision on the claim is necessary, the contracting officer, for claims requested by the contractor not exceeding \$50,000, shall issue the decision within 60 days after receipt of the written request. If no contractor request is received by the contracting officer, the decision shall be rendered in a reasonable time. This is a statutory time limitation. (1-314(i)(3)(i) and 7-103.12(a))
2. When Government property having an acquisition cost not in excess of \$50,000 is to be furnished for use in contract performance or for repair, the short form Government-furnished property clause, 7-104.24(f), shall be inserted in the schedule; provided that use of the clause shall be optional when the acquisition cost of property furnished for repair is not in excess of \$10,000. (3-608.2(b)(1)(viii) and (b)(2)(C))
3. Allowable costs for sales commissions or fees applicable to contracts for FMS shall not exceed \$50,000 per contract (including all modifications and subcontracts thereto) for each foreign customer served by that contract. (6-1305.4(a))
4. The payments clause for time and materials and labor-hour contracts provides that, unless otherwise set forth in the Schedules, 5% of the amount due under its paragraph (a) shall be withheld from each payment, but the total amount withheld shall not exceed \$50,000. (7-901.6)
5. Additional performance or payment bond protection shall be required in connection with any modification effecting an increase in price under any contract for which a bond is required if the modification is pursuant to an existing provision of the contract and is expected to increase the contract price by \$50,000 or 25% of the basic contract price, whichever is less. (10-103.1(b) and 10-103.2(b))
6. Facilities may be provided to a contractor under a contract other than a facilities contract when the cumulative total acquisition cost (actual or estimated) of the facilities provided to the contractor at one plant or general location does not exceed \$50,000. (13-303(b)(i))
7. Directors of Defense agencies may exercise authority under the Act (P.L. 85-804) and the executive order in all cases obligating the United States, in an amount of \$50,000 or less, and in disapproving proposed actions in any amount. This authority may be redelegated. Recommendations for payments in excess of \$50,000 will be submitted by the Directors to the ASD(I&L) at time of issuance. (17-201(b))

8. The exercise of authority (in 85-804 cases) by officers and officials below the Secretarial level shall not obligate the Government in an amount in excess of \$50,000 nor shall it release a contractor from performance of an obligation priced in excess of \$50,000 or, where procurement is contemplated, unless the approving authority finds that the estimated actual or potential increase in cost to the Government will not exceed \$50,000. Further, mistakes shall not be corrected by action obligating the Government in an amount in excess of \$1,000 unless notice of the mistake is received by the contracting officer prior to final payment. (17-205.2)
9. Authority to take actions under the residual powers of the Act (P.L. 85-804) is vested in the Secretary of each Department. Authority to approve actions obligating \$50,000 or less shall not be delegated below the Head of a Procuring Activity. (17-301)

#### MORE THAN \$50,000

1. The contracting officer shall issue the decision, for claims exceeding \$50,000, within 60 days after receipt of a certified claim; provided, however, that if a decision is not issued within 60 days, the contracting officer shall notify the contractor of the time within which he will make the decision. This is a statutory time limitation. (1-314(i)(3)(ii))
2. Section 6(c)(1) of the Contract Disputes Act of 1978 requires that a contractor claim over \$50,000 shall be certified at the time of submission that it is made in good faith; that the supporting data are accurate and complete to the best of the contractor's knowledge and belief; and that the amount requested accurately reflects the contract adjustment for which the contractor believes the Government is liable. (1-314(L) and 7-103.12(a))
3. The price adjustment clause in 7-107 is authorized for use in negotiated fixed-price supply and service contracts when there is no major element of design engineering or development work and one or more identifiable labor or material cost factors are subject to change. The clause is limited to contracts in which the price exceeds \$50,000 and the performance period exceeds six months, unless its use otherwise is approved by the Chief of the Purchasing Office. (3-404.3(c)(2)a)
4. When Government property having an acquisition cost in excess of \$50,000 is to be furnished (for contract performance or for repair) the appropriate Government Property clause or clauses in 7-104.24 shall be inserted in the Schedule. (3-608.2(b)(1)(viii) and (b)(2)(c))
5. The contracting officer shall refer the proposed acquisition (using U.S.-owned foreign currency for payments) to the appropriate official when the lowest responsive U.S. dollar offer exceeds \$50,000. (6-1106.3(a)(ii))

6. The "Reporting of Royalties (Foreign)" clause requires that, if the contract exceeds \$50,000, the contractor shall report in writing to the contracting officer, during contract performance, the amount paid or to be paid by the contractor directly to others in performance of the contract. A similar provision is to be inserted in any subcontract thereunder which involves an amount in excess of the equivalent of \$50,000 U.S. dollars. (7-104.8)
7. The "Value Engineering Incentive" clause requires that the contractor shall include appropriate VE arrangements in any subcontract of \$50,000 or greater. (7-602.50)
8. Except as provided in 12-808, each prime contractor and each subcontractor with 50 or more employees and a nonconstruction contract or subcontract of \$50,000 or more, or Government bills of lading which, in any 12 month period, total or can reasonably be expected to total \$50,000 or more is required to develop a written AACP for each of its establishments within 120 days from the start of its first such Government contract or subcontract. (12-806.1)
9. The Secretary of each Department may delegate in writing his authority under the Act (P.L. 85-804) and the Executive Order, except that authority to approve actions under the Act obligating the United States in an amount in excess of \$50,000 shall not be delegated below the Secretarial level. (17-201(a))
10. Authority to take actions under the residual powers of the Act (P.L. 85-804) is vested in the Secretary of each Department. Authority to approve action obligating the U.S. in an amount in excess of \$50,000 shall not be delegated below the Secretarial level. (17-301)

#### \$100,000 OR LESS

1. A VE clause (7-104.44, 7-204.32, or 7-1903.51) may be included in contracts under \$100,000 if the contracting officer sees a potential for significant savings. (1-1702.1(a))
2. Contracts and subcontracts are exempted from the prohibition against contracting with a firm proposing to perform the contract in a facility listed in the EPA list of violating facilities if the contract or subcontract does not exceed \$100,000 or if for indefinite quantities and the contracting officer determines that the amount to be ordered in any one year under such contract will not exceed \$100,000. These exemptions, except for small purchases, shall not apply to a proposed contract under which the facility to be used is listed on the basis of a conviction under the Clean Air Act or the Water Act. (1-2301(b) and 1-2302.4(a), (b), and (c))
3. The determination and findings with respect to authority to enter into negotiated contracts for experimental, developmental, or research work (3-211.3) may be made by the contracting officer provided the basic contract or any single modification thereto does not obligate the Government to pay more than \$100,000. (3-302(i) and 3-303(a)(ii))

4. A contract calling for retroactive price redetermination after completion shall not be used unless for R&D at an estimated cost of \$100,000 or less and the contractor's accounting system is adequate for price redetermination purposes, reasonable assurance exists that price redetermination action will be taken promptly at the time specified, a ceiling price is established, and written approval has been obtained from the HPA. (3-404.6(c))
5. The firm fixed-price level of effort term contract may be used only when the work to be performed cannot otherwise be clearly defined, the level of effort described can be identified and agreed upon in advance of performance, there is reasonable assurance that the result desired cannot be achieved by expenditure of less than the stipulated effort, and the contract price does not exceed \$100,000 unless approved by the chief of the purchasing office. (3-404.7(b))
6. Ordinarily, field pricing support reports should not be requested for proposed contracts or modifications of less than \$100,000 for firm fixed-price or fixed-price with economic price adjustment proposals. (3-801.5(b)(2))
7. Cost or pricing data are required as part of a proposal leading to, and certification is required prior to award of any negotiated contract not expected to exceed \$100,000 in amount, or any contract modification not expected to exceed \$100,000, providing the contracting officer considers that the circumstances warrant such action. (3-807.3(b)(iii))
8. Methods other than weighted guidelines may be used to develop a profit objective on contracts not expected to exceed \$100,000. (3-808.2(b)(1)-(vii))
9. In evaluating offers in accordance with the Buy American Act, each non-qualifying country offer of defense equipment (but see exception (ii)) shall be adjusted either by excluding any duty from the nonqualifying country offer and adding 50 percent of the offer (exclusive of duty) to the remainder, or by adding to the nonqualifying country offer (inclusive of duty) a factor of 6 percent of that offer, whichever results in the greater evaluated price, except that a 12 percent factor shall be used instead of the 6 percent factor if (i) the firm submitting the low acceptable domestic offer is a small business concern, or a labor surplus area concern, or both, (ii) small purchase procedures are not used, and (iii) any contract award to a domestic concern which would result from applying the 12 percent factor, but which would not result from applying the 6 percent or 50 percent factor, would not exceed \$100,000. (6-104.4-(b)(1))
10. The "Audit by Department of Defense" clause shall be inserted in all contracts, except those entered into by formal advertising which are not expected to exceed \$100,000. (7-104.41(a)).
11. Under the "Allowable Cost, Fee, and Payment" clause, the contracting officer may withhold payment of allowable costs to build a reserve, but the reserve will not exceed 1 percent of the Government's share of the total estimated cost or \$100,000, whichever is less. (7-402.3(c)(5) and 7-703.9(b))

12. Purchase of nondomestic construction material on the basis of "nonavailability" when the material is not listed in 6-105, shall be made only if approved by the HPA or his immediate deputy, if the cost of such materials is estimated not to exceed \$100,000. (18-508.1(b)(ii))
13. The "Subcontracts" clause in 7-104.23 shall be inserted in all fixed-price type contracts. The clause may be modified to lower the \$100,000 threshold in (ii) and (iii) of paragraph (b) of the clause when determined that closer surveillance of subcontracting is desirable. (23-201.1(b)(i))

#### MORE THAN \$100,000

1. In the procurement of major items (normally exceeding \$100,000 in unit cost), it is DoD policy to relieve the contractor from liability for loss of or damage to such major items occurring after acceptance by the Government. (1-330(c))
2. Section 813 of the 1979 DoD Appropriation Authorization Act requires certification of contract claims, requests for equitable adjustment to contract terms, requests for relief under P.L. 85-804, and similar requests exceeding \$100,000. The clause in 7-104.102 shall be inserted in all contracts expected to exceed \$100,000 in value. (1-342(a))
3. In making a determination of responsibility or nonresponsibility for purchase or contract awards of \$100,000 and over, performance data should be acquired and considered when the contracting officer deems it necessary. (1-904.1)
4. To broaden the opportunity in negotiated procurement over \$100,000 for subcontracting to small business concerns and others, contracting officers shall, unless not in the Government's interest or significant subcontracting opportunities do not exist, publish in the Commerce Business Daily the names and addresses of firms to whom RFPs are to be issued, provided that no more than five firms are to be solicited. (1-1003.6(a)(1))
5. Contracting officers shall, for procurements over \$100,000, unless not in the Government's interest or significant subcontract opportunities do not exist, publish in the Commerce Business Daily the names and addresses of firms which have submitted acceptable proposals in the first step of two-step formal advertising. (1-1003.6(a)(2))
6. With the exception of awards to SBA using the authority of Section 8(a) of the Small Business Act, and awards for perishable subsistence and brand name items for commissary resale, awards of all unclassified contracts to be performed in whole or in part within the United States, exceeding \$100,000 in amount, shall be published in the Commerce Business Daily "Synopsis of U.S. Government Procurement, Sales and Contract Awards." (1-1005.1(a))

7. Except as provided in 1-1702.1(b) and (c), one of the VE clauses in 7-104.44, 7-204.32, or 7-1903.51 shall be included in every supply or service contract of \$100,000 or more. (1-1702.1(a)) Clause will not be included in contracts for research, exploratory development, or advanced development; contracts for engineering services from not-for-profit organizations; contracts containing a VE program requirement clause; contracts for A-E services; contracts providing for product or component improvement, unless the VE incentive clause application is restricted to areas not covered by provisions for product or component improvement; contracts for commercial items; and contracts for personnel services. (1-1702.1(b)) The clause may be excluded from contracts of \$100,000 or more when the HPA determines there is minimal potential for cost reduction through VE. (1-1702.1(c))
8. Prior to negotiation of a contract or modification resulting from a proposal in excess of \$100,000 for firm fixed-price and fixed-price with economic price adjustment, when the price is based on cost or pricing data submitted by the contractor, the contracting officer or his authorized representative shall request a field pricing support report unless information already available to the contracting officer is adequate to determine the reasonableness of the proposed price. (3-801.5(b)(1))
9. Cost or pricing data are required as part of a proposal leading to, and certification is required prior to award of any negotiated contract expected to exceed \$100,000 in amount and the pricing of any modification when the modification involves aggregate increases and/or decreases in costs plus applicable profits expected to exceed \$100,000, unless the price negotiated is based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulation. (3-807.3(b))
10. Any contractor is required to submit subcontractor cost or pricing data in support of each subcontract cost estimate whenever the contracting officer considers such subcontractor data necessary for pricing the prime contract, or in any event, whenever such subcontractor cost estimate is both more than \$100,000 and more than 10 percent of the prime contractor's proposed contract price. (3-807.4(a))
11. The price negotiation memorandum should include an explanation of why cost or pricing data was or was not required. If not required on a price negotiation in excess of \$100,000, a statement should be included setting forth the basis for determining the exemption. Whenever cost or pricing data are used in connection with a price negotiation in excess of \$100,000, a copy of the memorandum shall be sent to the cognizant DCAA auditor. (3-811(a))
12. The notice "Disclosure Statement -- Cost Accounting Practices and Certification" shall be inserted in all solicitations which are likely to result in a negotiated contract exceeding \$100,000 except when the price is based on established catalog or market prices of commercial items sold in substantial quantities to the general public or set by law or regulation. Other exceptions are listed. (3-1203(a))

13. Clauses in 7-104.83(a)(1) and (b) relating to cost accounting standards shall be inserted in all negotiated solicitations and contracts exceeding \$100,000. Exceptions are stated. (3-1204.1(a)) Clauses in 7-104.83-(a)(2) and (b) shall be inserted in all negotiated solicitations which are likely to result in a contract exceeding \$100,000 unless otherwise exempt and all such contracts exceeding \$100,000 but under \$10 million when the offeror certifies he is eligible for and elects to use modified contract coverage. (3-1204.1(b))
14. In evaluating offers in accordance with the Buy American Act, if an award for more than \$100,000 would be made to a domestic concern if the 12 percent factor is applied, but would not be made if the 6 percent or the 50 percent factor is applied, the matter shall be submitted to the Secretary of the Department concerned for decision as to whether the award to the small business or surplus labor area concern would involve unreasonable cost or inconsistency with the public interest. (6-104.4(b)(1))
15. To assure that the policy of 6-602 is carried out for emergency purchases of war materials abroad, one or both of the clauses in 6-603.3(a) and (b) shall be included in each negotiated contract in excess of \$100,000 unless the minimum dollar limits in 6-603.3(a) -- duty free entry for specified items, in which estimated aggregate duty exceeds \$1,000 -- and 6-603.3(b) -- duty free entry for items not identified in the contract, which sets a limit of \$10,000, respectively, apply. (6-603.2(a))
16. "Clean Air and Water" clause, 7-103.29, applies only if the contract exceeds \$100,000 or the contracting officer determines that orders under an indefinite delivery contract in any one year will exceed \$100,000, or a facility to be used has been the subject of a conviction under the Act. The contractor will insert the substance of the provisions of the clause in any nonexempt subcontract. Nonexempt means a contract or subcontract of more than \$100,000 not otherwise exempt. (7-103.29 and 7-2003.71)
17. The offeror, in accordance with the clause "Subcontracting Plan for Small Business and Small Disadvantaged Business Concerns (Negotiated)" shall recite the types of records the offeror will maintain. Records shall include, on a contract-by-contract basis, all subcontract solicitations over \$100,000. (7-104.14(b))
18. Advance notice is required before entering into any subcontract if the contractor's procurement system has not been approved and the subcontract is proposed to exceed \$100,000. (7-104.23)
19. The "Price Reduction for Defective Cost or Pricing Data" clause shall be inserted in negotiated contracts which when entered into exceed \$100,000 and are not excepted by terms of P.L. 87-653. (7-104.29)
20. The "Subcontractor Cost or Pricing Data" clause shall be inserted in all negotiated contracts expected to exceed \$100,000, except those to which the statutory exceptions apply. Clause requires contractor to require subcontractors to submit or identify specifically in writing, cost or pricing data prior to award of any subcontract or pricing of any subcontract modification expected to exceed \$100,000, subject to statutory

exceptions. Contractor also shall insert substance of clause in subcontracts expected to exceed \$100,000, unless excepted by statutory provisions. Excepted subcontracts will have a clause making requirements applicable to modifications expected to exceed \$100,000. (7-104.42(a)) All contracts, both formally advertised and negotiated, which exceed \$100,000 other than those in (a) will contain the price adjustment clause which becomes operative only with respect to any modification expected to exceed \$100,000, in aggregate. (7-104.42(b))

21. The "VE Incentive" clause requires the contractor to include appropriate VE arrangements in any subcontract of \$100,000 or greater. (7-104.44)
22. "Cost Accounting Standards" clause shall be inserted in all solicitations which are likely to result in a negotiated contract exceeding \$100,000 and in all contracts exceeding \$100,000, unless exempt in accordance with 3-1204.1(a). The substance of the clause is to be included in negotiated subcontracts in excess of \$100,000 not exempted by statutory provisions. (7-104.83(a)(1))
23. "Disclosure and Consistency of Cost Accounting Practices" clause shall be inserted in all solicitations likely to result in a negotiated contract exceeding \$100,000, in accordance with 3-1204.1. (7-104.83(a)(2))
24. When the contracting officer estimates the cost of a change or a series of related changes will exceed \$100,000, he may require change or accounting. (7-104.90)
25. Any contract claim, request for equitable adjustment to contract terms, request for relief under P.L. 85-804, or other similar request exceeding \$100,000 shall be certified by a senior company official. (7-104.102)
26. "Subcontracts" clause sets out data requirements to be included in the advance notification of intent to enter into a subcontract proposed to exceed \$100,000 or which is one of a number of subcontracts under the contract with a single subcontractor for the same or related supplies or services which, in the aggregate, are expected to exceed \$100,000. (7-203.8(a) and 7-402.8(a))
27. The "VE Incentive" clause shall be inserted in all fixed-price type construction contracts of \$100,000 or more. (7-602.50)
28. In connection with workmen's compensation and employers' liability insurance, employers' liability coverage in the minimum amount of \$100,000 shall be required except in states with exclusive or monopolistic funds which do not permit the writing of workmen's compensation by private carriers. 10-501.2, 501.3 and 501.4 set minimum limits for other types of insurance. (10-501.1)
29. "Payment for Overtime Premiums" clause, 7-203.27, shall be included in all cost-reimbursement type contracts in excess of \$100,000 except cost-reimbursement type contracts for the operation of vessels and certain CPIF contracts. (12-102.4(a))

30. For negotiated contracts over \$100,000, the DD Form 1423 provides the means for obtaining from the contractor (and offerors) an estimate of what portion of the total price is attributable to the production or development of the listed data (not to the sale of rights in the data). (16-815(a))
31. Performance evaluation reports will be prepared at the time of termination for every construction contract of \$100,000 or more that is terminated for convenience of the Government. (18-106.2(a)(1))
32. Unless waived by the HPA or designee, preinvitation notices shall be sent to all prospective bidders on any construction procurement to be formally advertised, estimated to cost \$100,000 or more. (18-205(a))
33. Each Washington Headquarters of the construction activities shall furnish to the ASD(I&L) quarterly reports, cumulative within each calendar year, of all A-E contracts over \$100,000 (except contracts involving classified projects) awarded world-wide by all offices of the activity. (18-404.2(a))
34. Purchase of nondomestic construction material on the basis of "nonavailability" when the material is not listed in 6-105, shall be made only if approved by the Secretary of the Department concerned, if the cost of such materials is estimated to exceed \$100,000. (18-508.1(b)(i))
35. Provision for progress payments shall also be made in IFBs whenever it is estimated that the procurement will involve approximately \$100,000 or more and that bids are likely to be submitted by one or more small business concerns, unless the procurement is within one or more of the expected categories set out in the paragraph. (E-504.1)
36. Limited surveillance plans shall not be applied when Government property under one or more contracts is in excess of \$100,000 exclusive of reparables on maintenance and overhaul contracts. (S3-402.1(b)(i))

#### \$196,000 OR MORE

1. In making purchases under the Trade Agreements Act of 1979, offers of an eligible product with a total value of \$196,000 or more are to be evaluated without regard to restrictions of the Buy American Act and Balance of Payments Program for such product. Unless waived, there shall be no purchase of an end product with a total value of \$196,000 or more listed in 6-1607 which is the product of a country listed in 6-1602(b). (6-1602 and 7-104.3(b))

#### MORE THAN \$200,000

1. If the total cost of leasing ADPE is to be allocated to one or more Government contracts requiring the negotiation or determination of costs, the contracting officer shall, prior to approval of the proposed lease agreement, obtain approval of the arrangement from the senior ADP policy official of the department or agency which generated the requirement for

the contract end item. The senior ADP policy official may delegate approval authority except for noncompetitive procurements when the annual lease cost exceeds \$200,000. (3-1100.2(a)(vi)(A))

2. A performance evaluation report shall be prepared by the cognizant construction activity for each construction contract of \$200,000 or more. Report will be prepared at the time of final acceptance of the work. (18-106.2(a)(1))
3. When the estimated cost of a construction contract to be awarded by a field activity exceeds \$200,000, the selection shall require the approval of the next higher organizational level of the construction activity. (18-402.3(a)(i)) When a firm, to which a field contracting office has previously awarded contracts totaling over \$200,000 during the current calendar year, has been selected for an additional award to be made by the same contracting office, the selection shall require, prior to negotiation with the firm, the approval of the next higher organization level of the construction activity. (18-402.3(a)(ii))

#### \$250,000 OR LESS

1. A nonavailability determination (for Buy American Act application) is not required for end products or components listed in 6-103.2(c) or 6-105. Otherwise, acquisitions of foreign end products or components on the basis of nonavailability shall be made only after a determination of nonavailability has been made and the acquisition is approved by the chief of the contracting office, if the acquisition is estimated not to exceed \$250,000. (6-103.2(b)(2))

#### MORE THAN \$250,000

1. Prior to negotiation of a contract or a modification resulting from a proposal in excess of \$250,000 for other than firm fixed-price or fixed price with economic price adjustment contract types, when the price is based on cost or pricing data submitted by the contractor, the contracting officer or his authorized representative shall request a field pricing support report. (3-801.5(b)(1))
2. Deviations from the evaluation procedures specified in 6-104.4 for the balance of payments program, should be considered for acquisitions over \$250,000 when it is anticipated that the low domestic offer will involve relatively substantial foreign expenditures or that the low foreign offer will involve relatively substantial domestic expenditures. Such deviations require advance approval of USDRE or his designee. (6-102.2(b))
3. When the acquisition cost of property to be sold at one time, at one place, is \$250,000 or more, notice of each such proposed sale shall be sent to the U.S. Department of Commerce, Commerce Business Daily Office, Sales Section. (24-206.2(b)(iv))

NOT LESS THAN \$300,000

1. The contractor shall at his own expense procure and maintain insurance during the term of the stevedoring contract, as follows: bodily injury liability insurance in an amount of not less than \$300,000 on account of any one occurrence; and property damage liability insurance in an amount of not less than \$300,000 on account of any one occurrence. (7-1002.7)

\$350,000 OR LESS

1. The chief of the contracting office, when a proposed multiyear contract for services will not exceed two years and the estimated annual expenditures thereunder do not exceed \$350,000, must execute the determination required by 1-322.1(d)(3). (1-322.1(d)(4)(i))

MORE THAN \$350,000

1. When the contract period will exceed two years, or when the contract period will not exceed two years but the estimated annual contract expenditure will exceed \$350,000, the head of the contracting activity or his designee (not below the chief of the contracting office) must execute the required determination. (1-322.1(d)(4)(ii))

\$500,000 OR LESS

1. Clauses in 7-104.3, "Buy American Act and Balance of Payments Program", 7-104.106, "Qualifying Country Sources as Subcontractors", and 7-2003.47, "Buy American - Balance of Payments Program Certificate" shall not be used for acquisitions of perishable subsistence items when it is determined that delivery from the U.S. would destroy or significantly impair their quality at the point of consumption. Authority to make this determination may be redelegated for acquisitions estimated not to exceed \$500,000 in foreign cost. Determination is not required for acquisitions for commissary resale. (6-803.2(a)(iii))
2. Clause, "Cost Accounting Standards - Exemption" for contracts of \$500,000 or less, shall be inserted in contracts in accordance with 3-1204.1(a)-(vii)(A). (7-2003.67(b))
3. When selection of A-E firms is made by the Army Office of the Chief of Engineers, the Naval Facilities Engineering Command, or the Air Force Directorate of Civil Engineering for a contract whose estimated cost is \$500,000 or less, the selection shall require approval of the Chief of Engineers, the Commander, Naval Facilities Engineering Command, or the Director of Civil Engineering, respectively, or other designees. (18-402.3(a)(iii))

MORE THAN \$500,000

1. "Geographic Distribution of Defense Subcontract Dollars" clause, 7-104.78, shall be inserted in any contract to be awarded which is expected to exceed \$500,000, or when any modification increases the aggregate amount of a contract to \$500,000 or more. In the latter case, the requirement will not be retroactive. (1-340)
2. The PCO shall notify the SBA's resident procurement center representative of and give him an opportunity to review solicitations for contracts which will include the clause "Utilization of Small Business and Small Disadvantaged Business Concerns," 7-104.14(a), and which may exceed \$500,000 in the case of all contracts other than construction. (1-707.2(b))
3. The "Subcontracting Plan for Small Business and Small Disadvantaged Business Concerns, (Negotiated)" clause, 7-104.14(b), and "(Advertised)" clause, 7-104.14(c), shall be included in all solicitations for contracts or modifications which offer subcontracting possibilities, are expected to exceed \$500,000, and are required to include the clause in 7-104.14(a). However, 7-104.14(b) or (c) shall not be included in any solicitation which has been set aside for small businesses or which requirement is to be procured through the 8(a) program. (1-707.3(b) and (c))
4. The "Labor Surplus Area Subcontracting Program" clause, 7-104.20(b), shall be included in all contracts which may exceed \$500,000, which contain the clause required by 1-805.3(a) (clause 7-104.20(a)) and which offer substantial subcontracting possibilities. (1-804.3(b))
5. If the total cost of leasing ADPE in a single plant, division, or cost center exceeds \$500,000 per year and 50 percent or more of the total cost is to be allocated to Government contracts requiring negotiation or determination of costs, the ACO should arrange for an initial review of the contractor's ADPE system and an annual review thereafter. (3-1100.2-(b))
6. In preparing an IFB and the contract is expected to be \$500,000 or more, include clause 7-104.78, "Geographic Distribution of Defense Subcontract Dollars." (2-201, Part I, Section H (xviii))
7. The contractor, in accepting the clause "Labor Surplus Area Subcontracting Program," agrees, with respect to any subcontract thereunder which is in excess of \$500,000 and which contains clause 7-104.20(a), that he will insert provisions in the subcontract which will conform substantially to the language of this clause. (7-104.20(b))
8. "Small Business Subcontracting Program" clause shall be inserted in contracts which may exceed \$500,000 and which contain clause 7-104.14(a). (7-2102.12)
9. When the estimated cost of an A-E contract exceeds \$500,000, the selection shall require the approval of the Secretary of the Department concerned, or his designee. (18-402.3(a)(iv))

10. A DD Form 1499 shall be prepared by the contracting offices described in 21-301 for each negotiation of a contractual agreement involving a separate cost and profit that together total \$500,000 or more. If more than one profit rate applies to a negotiation and the amount of each is \$500,000 or more, a separate 1499 will be used for each rate. If the dollar amount for any rate in a multirate negotiation is less than \$500,000, the data for that rate shall not be reported. If separation into separate rates produces no portion of \$500,000 or more, a 1499 shall not be submitted. (21-302)

#### \$1 MILLION AND LESS

1. Information with respect to prospective contractors' make-or-buy programs shall not be required when a proposed contract has a total estimated value of less than \$1 million. (3-902.2(b)(i))
2. The Secretaries of the Military Departments or their designees, and the Directors of Defense Agencies may approve requests for Government-owned facilities projects if it is a R&D-funded project that will not exceed \$1 million. (13-302(a)(ii))

#### MORE THAN \$1 MILLION

1. Use of the DD Form 660, Management Systems Summary List, is only required on those contracts exceeding \$1 million. (1-331(c))
2. If a proposed small business set-aside is estimated to exceed \$1 million in value and a bond is required, the contracting officer shall, to the extent practicable, place contracts so as to allow more than one concern to perform the work. (1-706.1(g))
3. The PCO shall notify the SBA's resident representative of and give him an opportunity to review solicitations for contracts which will include the clause, "Utilization of Small Business and Small Disadvantaged Business Concerns", 7-104.14(a), and which may exceed \$1 million in the case of contracts for construction. (1-707.2(b))
4. The clause 7-104.14(b) for negotiated procurements or 7-104.14(c) for advertised procurements shall be included in all solicitations for contracts or modifications which offer subcontracting possibilities, are for construction of any public facility and expected to exceed \$1 million, and are required to include the clause in 7-104.14(a). However, the clauses 7-104.14(b) or (c) shall not be included in any small business set-aside solicitation or any requirement which is to be procured through the 8(a) program. (1-707.3(b) and (c))
5. To assure the recovery of investment in nonrecurring costs and related technology, the clause, "Recovery of Nonrecurring Costs on Commercial Sales," 7-104.64, shall be included in all RDT&E and production contracts and subcontracts of \$1 million or more. (1-2403)

6. If an IFB for construction and the contract is estimated to exceed \$1 million, the IFB shall include the clause 7-603.15, "Performance of Work by Contractor," as well as a statement that the successful bidder must furnish the contracting officer within a stated number of days after award the items of work he will perform with his own forces and the estimated cost of those items, unless he has submitted those items with his bid. (2-201(b)(xxxi))
7. Any contractor required to submit and certify cost or pricing data shall be required to submit accurate, complete, and current cost or pricing data from prospective subcontractors in support of each subcontract cost estimate in the contractor's submission, whenever the subcontractor estimate is \$1 million or more. (3-807.4(a)) This requirement may be waived in exceptional cases by the Secretary of the Department. (3-807.4(e))
8. The contractor shall not enter into a first-tier subcontract for an estimated or actual amount of \$1 million or more without obtaining in writing from the contracting officer a clearance that the proposed subcontractor is in compliance with equal opportunity requirements and therefore eligible for award. (7-104.22)
9. Each solicitation (excluding construction) written or oral, for non-exempt contracts estimated to be for \$1 million or more shall advise bidders or offerors that prior to award, the proposed contractor or his known first-tier subcontractor with proposed subcontracts of \$1 million or more shall be subject to an EEO compliance review. (7-2003.14(a))
10. Preaward clearance by the appropriate OFCCP regional office is required for contracts and subcontracts (excluding construction) expected to aggregate \$1 million or more or to increase the aggregate value of a contract to \$1 million or more. (12-807.2(a))
11. All construction contracts estimated to exceed \$1 million shall contain clause "Performance of Work by Contractor" (7-603.15) which requires the contractor to perform a specified share of the project work with his own workforces. (18-104)
12. The contracting officer shall obtain complete transcripts of all performance evaluations showing unsatisfactory performance or remarks on outstanding performance for use in selecting contractors for construction work above \$1 million. (18-106.2(c))
13. When the estimated cost of an A-E contract exceeds \$1 million, the selection shall require the approval of the ASD(I&L) or his designee. (18-402.3(a)(v)) When such a contract is increased by supplemental awards, approval of ASD(I&L), or his designee, shall be required for each increment of such supplemental awards over \$200,000. (18-402.3(a)(viii))

#### \$2 MILLION OR LESS

1. Unless an end product or component that is listed in 6-103.2(c) or in 6-105, acquisitions of foreign end products or components on the basis of nonavailability shall be made only after a determination of nonavailability has been made and the acquisition is approved, if estimated not to exceed \$2 million, by the head of the contracting activity (HCA) or his immediate deputy or, in the case of the Defense Advanced Research Projects Agency, by the DARPA Director. (6-103.2(b)(iii))
2. Allowable B&P and IR&D costs for companies not required to negotiate advance agreements (those companies that received IR&D and B&P payments from DoD in a fiscal year that did not exceed \$2 million) shall be established by formula. (15-205.3(d)(2)(B) and 15-205.35(d)(2))

#### MORE THAN \$2 MILLION

1. Procurement plans shall be prepared for development procurements whose total procurement cost is estimated at \$2 million or more. (1-2100.2(b))
2. Unless an end product or component that is listed in 6-103.2(c) or 6-105, acquisitions of foreign end products or components on the basis of nonavailability shall be made only after a determination of nonavailability has been made and the acquisition has been approved, if estimated to exceed \$2 million, by the Secretary of the Department concerned, or his designee, at a level no lower than a HCA. (6-103.2(b)(iv))
3. Any company which received payments as either a prime or subcontractor, in excess of \$2 million from DoD for IR&D and B&P in a fiscal year, is required to negotiate an advance agreement which establishes a ceiling for allowability of those costs for the following fiscal year. (15-205.3(d)(2)(A)(i) and 15-205.35(d)(1)(A))

#### \$3 MILLION OR LESS

1. When a bid guarantee is deemed necessary, the contracting officer shall determine the percentage or amount. The percentage shall not be less than 20 percent of the bid price except that the maximum amount required shall be \$3 million. (10-102.3(a))
2. Where the total direct cost of work at an institution covered by Part 3, Section XV does not exceed \$3 million in a fiscal year, simplified procedures in 15-308.2 may be used in determining allowable indirect costs. (15-308.1(a))

#### MORE THAN \$3 MILLION

1. Information on proposed contractual actions over \$3 million shall be submitted in writing to the OASD(Public Affairs) in accordance with Departmental/Agency procedures. Departments shall notify the appropriate Members of Congress (those in whose state and district the work is to be performed) of contract awards of over \$3 million. (1-1005.2(a) and (b))
2. When contractor inventory with an acquisition cost of \$3 million or more is to be sold or otherwise disposed of to private interests, the Department concerned shall promptly notify the Attorney General and Administrator of GSA of the proposed disposal and the probable terms or conditions thereof. Before approving or effecting the proposed disposition, the plant clearance officer shall obtain antitrust clearance. When offered for sale on a competitive bid basis, the condition of sale in 24-302.8(b)(viii) shall be included in the IFB. (24-206.5)

#### \$5 MILLION OR LESS

1. The cancellation ceiling for any multiyear contract may not be in excess of \$5 million, unless Congress, in advance, approves such a cancellation ceiling. (1-322.1(a))
2. The Secretaries of the Military Departments or their designees and Directors of Defense Agencies may approve requests for Government-owned facilities if the facilities projects that are funded from procurement appropriations will be approved on a location basis and shall not exceed \$5 million for all property efforts during one fiscal year. (13-302(a)(i))

#### MORE THAN \$5 MILLION

1. Procurement plans shall be prepared for production contracts whose contractual cost is estimated at \$5 million for any fiscal year. (1-2100.2-(b))
2. Section I, Part 24 sets forth policy and procedures for recovery of non-recurring costs on commercial sales of defense products and technology. The policy applies to those products and technologies for which investment costs equal or exceed \$5 million for nonrecurring RDT&E costs, nonrecurring production costs and nonrecurring RDT&E and production costs for special features under a FMS when requested by the FMS customer and agreed to by the U.S. Government. (1-2402(a))
3. For other than small business concerns, milestone billing arrangements are limited to fixed-price type contracts in excess of \$5 million with exceptionally long lead time (normally 12 months or more) between initial incurrence of costs under the contract and delivery of the first end item. For small business concerns, no dollar restriction applies but the lead time before first delivery should normally be at least six months. (E-529.3(a))

#### \$10 MILLION OR LESS

1. Clauses in 7-104.83(a)(2) and (b) shall be inserted in all negotiated contracts exceeding \$100,000 but under \$10 million when the offeror certifies he is eligible for and elects to use modified CAS coverage under provisions of Appendix O, Part 332. (3-1204.1(b)(iii))

#### MORE THAN \$10 MILLION

1. An initial review of a contractor's purchasing system shall be made when the contractor's negotiated sales to the Government are expected to exceed \$10 million during the next 12 months. (23-101(a))

#### \$15 MILLION

1. Procurement plans shall be prepared for production procurements whose contractual cost is estimated at \$15 million for all years. (1-2100.2 (b))

#### \$20 MILLION OR LESS

1. The maximum amount of the credit to be guaranteed must not be equal to or greater than an amount which under the Government guarantee could result in an obligation to the guaranteeing agency in excess of \$20 million. (E-309)

#### \$25 MILLION OR LESS

1. The Secretaries of the Military Departments or their designees, and the Directors of Defense Agencies may approve requests for Government-owned facilities if the total plant and equipment investment cost to support a specific major system or subsystem will not exceed \$25 million during the projected acquisition or maintenance effort. (13-302(a)(iii))

#### MORE THAN \$25 MILLION

1. Clause, "Special Termination Costs," 7-108.3, is authorized for use in an incrementally funded contract when the contract is estimated to require total RDT&E financing in excess of \$25 million. (8-712(a)(ii))
2. General limitations upon exercise of extraordinary emergency authority under the Act (17-000) include one which states that no contracts, amendments or modifications shall be entered into which will obligate the United States in any amount in excess of \$25 million unless the Committees on Armed Services of the Senate and the House of Representatives have been notified in writing of such proposed obligation and 60 days of continuous session of Congress have expired and neither House of Congress

has adopted a resolution disapproving such obligation. (17-205.1(b)(iii)) This limitation applies in the case of advance payments (E-405(v)); P.L. 85-804, (E-407); unusual progress payments (E-500.3 and E-505); and amendments to provide for unusual progress payments (3-527).

#### MORE THAN \$35 MILLION

1. No license may be issued under the Arms Export Control Act for the export of any major defense equipment sold under a contract in the amount of \$35 million or more to any foreign country which is not a member of NATO, Australia, Japan, or New Zealand unless such major defense equipment was sold under the Act. (6-1301.2)

#### MORE THAN \$50 MILLION

1. The clause, "Rights in Technical Data -- Major System and Subsystem Contracts," 7-104.9(k), may be used in contracts for major systems or major subsystems involving estimated program expenditures in excess of \$50 million of RDT&E funds. When used, any compensation the contractor requires for the right the subcontractor will have to use his limited rights data shall be included in the prime contract price. (9-202.2(f)(4)(b))

#### MORE THAN \$100 MILLION

1. The "Special Termination Cost" clause, 7-108.3, is authorized for use in an incrementally funded contract when the contract is estimated to require total production investment in excess of \$100 million. (8-712(a)(ii))

#### MORE THAN \$200 MILLION

1. The "Rights in Technical Data -- Major System and Subsystem Contracts," 7-104.9(k), may be used in contracts for major systems or major subsystems involving estimated program expenditures in excess of \$200 million of production funds. (9-202.2(f)(4)(b))

## APPENDIX C

### A CATALOG OF COMPLEXITY FACTORS ADDED TO THE ACQUISITION PROCESS IN THE PAST 10 YEARS

This appendix defines and describes the statutory and administrative requirements introduced or emphasized in the past 10 years and the technical, fiscal, and economic factors which, together, have brought the acquisition process to its current state of complexity.

#### COMPLEXITY FACTORS

1. Renewed Emphasis on Contracting Out
2. Preference for Small and Disadvantaged Businesses
3. Increased Concern for Cost and Availability of Systems
4. Cost Accounting Standards
5. Commercial Products
6. Cost of Capital
7. International Cooperation and Foreign Military Sales
8. Source Selection
9. Increasing Production Lead Times
10. Increasing Technical Sophistication
11. Declining Size of the Defense Industrial Base
12. Inflation
13. Aging Weapons
14. Modifications to the Buy American Policy

#### Renewed Emphasis on Contracting Out

It has been and continues to be the general policy of the Government to rely on competitive private enterprise to supply the products and services it needs. This policy was stated as early as 1955 and later prescribed in Circular A-76, issued in 1966 and revised and reissued in March 1979.

The revised circular reaffirmed the general policy of reliance on the private sector for goods and services, while recognizing that certain functions were essentially governmental in nature and must be performed by Government personnel. It also reaffirmed that relative cost must be considered in decisions between in-house performance and reliance on private commercial sources.

Each agency must compile and maintain a complete inventory of all commercial and industrial activities subject to the Circular and maintain an inventory of all contracts in excess of \$100,000 annually for services which the agency determines could be performed in-house. (Contracts awarded under a duly authorized set-aside program are excepted from this requirement.) Each commercial or industrial activity and contract in the inventory must be reviewed periodically to determine if existing performance continues to be in accordance with policies and guidelines of the Circular. Unless continuation of a commercial or industrial activity is justified because no satisfactory commercial source is available or because of national defense considerations, a cost comparison must be conducted to determine the relative cost of Government and private performance.

A decision for in-house performance based on economy must be supported by a comparative cost analysis prepared in accordance with the Circular and its supplementing Cost Comparison Handbook. This in-house cost estimate is compared with a contract cost figure based on a binding firm bid or proposal, solicited in accordance with DAR. While the procedures and the participants vary among organizations, buyers and the procurement office usually are deeply involved in the analysis. One irony is that a decision to contract out a function previously done in-house often leads to an across-the-board reduction in personnel authorizations that includes the procurement office which gains, rather than loses, workload from contracting out.

#### Preference For Small and Disadvantaged Businesses

The amendments to the Small Business Act legislated by P.L. 95-507 have had a twofold effect on the procurement process. One major provision of the new legislation provides that all purchases of \$10,000 or less which are

subject to small purchase procedures are small business-small purchase set-asides (DAR 1-702(c)). An exception is allowed when there is no reasonable expectation of receiving at least one quote for purchases up to \$500 or of at least two quotes for purchases over \$500. The set-aside may be dissolved if quotations received are not considered reasonable (up to \$500) or if they are not competitive or are not considered reasonable (over \$500). In FY 1980, more than 10.8 million DoD transactions met the dollar limits of the small business-small purchase set-aside criteria.

Because most procurements suited to automation are for \$10,000 or less and, therefore, subject to these set-asides, DoD activities have had to screen all computer programs to ensure removal of large businesses from bid lists, basic ordering agreements, and indefinite quantity type contracts which are now to be reserved for small businesses.

These amendments have had several results:

1. Many no-bids or rejections of orders have been encountered. Purchasing activities have found that many small concerns which had requested inclusion on bidders' mailing lists are not able to supply the particular product.
2. By restricting sources to small businesses, purchasing offices frequently must deal with distributors rather than manufacturers. These distributors often may be unable to deliver on time, their prices are higher, and they may not pass on warranties offered by the manufacturer.
3. There are varying degrees of understanding as to what documentation is needed to support a contracting officer's determination that there is no reasonable expectation of receiving competitive quotations.
4. When no quotes or no competitive quotes are received, the resolicitation on a non-restrictive basis is duplicate work and takes extra time.

The second major provision of P.L. 95-507 requires the successful offeror to submit a separate plan for subcontracting with small business concerns and with small disadvantaged business concerns whenever the proposed

contract is expected to exceed \$500,000 (\$1 million for construction contracts). The contract specialist must determine the adequacy of the subcontracting plan before the contract can be awarded. Every system acquisition activity visited told of the added effort to obtain, evaluate, and negotiate these subcontracting plans and the effect it has had on procurement workload and administrative leadtime. In FY 1980 DoD awarded 14,821 contracts in excess of \$500,000.

The Federal preference for small and small disadvantaged businesses includes a program to foster business ownership by socially and economically disadvantaged individuals. The program is authorized by Section 8(a) of the Small Business Act. Under the program, the Small Business Administration (SBA) may select firms to perform DoD contracts as subcontractors to the SBA. The contracting officer negotiates the subcontract as well as the prime contract with the SBA. Contract prices are established on a noncompetitive basis, using cost or price analysis, commercial prices for like items, or prior price history for repetitive items. Any costs that the proposed subcontractor may anticipate in excess of the current fair market price are identified as business development expenses and must be borne by the SBA. The contracting officer must make arrangements with the SBA to reimburse DoD for such expenses before the procurement can be awarded. In addition to these unusual arrangements, the proposed subcontractor usually is not familiar with DoD contracting procedures and requires extensive explanations and advice. Each DoD procurement activity has goals, established by negotiation between DoD and the SBA, for specific dollar amounts to be awarded annually under this program.

### Increased Concern for Cost and Readiness of Systems

In the past 10 to 15 years, DoD has started several different programs to contain the cost of developing and operating weapon systems. The programs include direct attempts at predicting and influencing costs such as life cycle costing, design to cost, reliability improvement warranties, and value engineering. There also have been programs that seek to control and reduce overall costs by such means as reducing the frequency of failures and the time it takes to get a failed item back in use as well as by improving the front end logistics planning.

All of these efforts are implemented as contract requirements and as such, require extra effort in the planning, negotiation, and performance stages. Any such program new to either contracting officials or contractors, or both, requires extra effort. Even after both parties are familiar with a program, the process is complicated by added variables and work required over and above that necessary for any variation of the straight "you perform, we pay" contract.

For example, in 1980, reliability and maintainability, which had been objects of special attention for a number of years, were made the subject of DoD Directive 5000.40. The major thrust of this directive is toward DoD program managers and technicians to ensure that reliability and maintainability baselines and parameters are established and monitored in all defense system acquisitions. Its stated objectives are to:

1. Increase operational effectiveness
2. Reduce ownership cost
3. Limit manpower needs
4. Provide specific data
5. Ensure that each increment of cost and schedule invested in R&M contributes significantly to the above objectives.

Achievement of these objectives necessarily involves the contract between the Government and the contractor. In Navy procurements, the in-house monitoring and control is accomplished, at least in part, through the advanced acquisition plan. Contracting personnel participate in the development of this plan and in addition to time in the actual planning, spend significant hours familiarizing themselves with the concepts and techniques of R&M in order to negotiate required contract terms with contractors.

#### Cost Accounting Standards

The Cost Accounting Standards Board (CASB) was created by Congress in 1970 to promulgate cost accounting standards designed to achieve uniformity and consistency in the cost accounting principles followed by defense contractors and subcontractors under Federal contracts. The standards are used by all relevant Federal agencies and by defense contractors and subcontractors in estimating, accumulating, and reporting costs in connection with the pricing, administration, and settlement of negotiated national defense prime contracts and subcontracts in excess of \$100,000. Excepted are contracts and subcontracts where the price negotiated is based on (1) established catalog or market prices of commercial items sold in substantial quantities to the general public, or (2) prices set by law or regulation.

The CASB developed and issued, in the period 1972-1980, 19 cost accounting standards as well as regulations dealing with the disclosure of cost accounting practices and the application of standards in the procurement process.

The Board also prescribed rules and regulations for the implementation of promulgated cost accounting standards. The regulations require defense contractors and subcontractors to disclose their cost accounting principles in writing and to agree to a contract price adjustment, with interest,

for any increased costs paid by the United States because the defense contractor failed to comply with cost accounting standards or to follow consistently his disclosed cost accounting practices in pricing contract proposals and in accumulating and reporting contract performance cost data.

The principal burden of compliance with the standards, rules, and regulations of the CASB is borne by the companies who hold defense contracts and subcontracts and who meet the dollar thresholds. Although a CAS clause is included in most negotiated defense contracts and subcontracts exceeding \$100,000, the CASB eased the burden somewhat by establishing (in 1974) a \$500,000 threshold to activate the provisions and (in 1977) a \$10 million ceiling for a modified contract coverage.

Within DoD, the principal burden for administration of CAS requirements is carried by the contract administration activities of DLA and the military services and the auditors of the Defense Contract Audit Agency. The auditor and the ACO share responsibility for determining adequacy of the contractor's disclosure of cost accounting policies and practices and the compliance with both standards and disclosed practices in estimating, accumulating, and reporting costs in connection with pricing, administering, and settling negotiated prime contracts and subcontracts.

For the most part, contract specialists in procurement activities have the lightest burden. In almost all cases, their involvement begins with insertion of appropriate provisions in solicitations and ends with negotiation of the appropriate clause or clauses for the contract. However, if a contractor refuses to accept CAS requirements in a contract, the contract specialist must involve superiors in the matter and may, if circumstance warrant, process a request through the Secretary of Defense for waiver of the requirements. (While it existed, the CASB made the ultimate decision on a waiver request.)

### Commercial Products

DoD Directive 5000.37, issued in September 1978, renewed emphasis on use of commercial, off-the-shelf products and commercial distribution channels in supplying commercial products to users.

While these practices can clearly benefit the Government, they nonetheless create additional workload for the procurement activity. The use of military specifications (MILSPECS) for defining products relieves the contract specialist of many responsibilities. These MILSPECS have been developed and revised over long periods of time and suppliers are generally familiar with their requirements. The acceptability of a product can be measured against the requirements of the MILSPEC.

In the acquisition of commercial products, the contract specialist becomes involved at two points. The first involvement may be peripheral, in selecting or developing the commercial specification to replace the MILSPEC. The second is in determining whether the tendered product will meet the user's requirements. The contract specialist no longer can rely on the MILSPEC to provide this assurance. In the absence of a Government specification for a product, many suppliers can offer different products, all of which may, or may be claimed to, meet the Government's requirements. Assurance that a commercial product will meet the need is accomplished by the requirement that it have a commercial market acceptability. This procedure requires a review and analysis of the sales history for the offeror's product, adding to the overall procurement workload.

### Cost of Capital

The introduction of Cost Accounting Standard (CAS) 414 in 1976 led to revised DAR weighted guidelines for determining profit objectives on negotiated procurements and added a new complication to the contract specialist's

work -- the recognition of return on facilities capital as part cost and part profit.

Facilities capital, which represents the tangible assets used in the performance of a contract (less idle facilities) is defined as the net book value of fixed assets and land in profit centers, plus the prorated share of the general purpose assets of the company. Facilities capital is measured using historical accounting data or projected data if substantial changes in facilities capital levels are expected over the coming year. Facilities capital is allocated to a contract by means of the same overhead allocation bases used by the contractor to allocate depreciation charges to overhead.

Under CAS 414, the cost of facilities capital is found as an imputed cost of capital by applying a rate prescribed by the Treasury Department to all facilities capital allocated to a contract. The rate, under provisions of P.L. 92-41, approximates the commercial borrowing rate for loans of three to five years maturity and is announced every six months.

Weighted guidelines are used by contracting officers to determine a profit objective on negotiated contracts over \$100,000. If cost of facilities capital has been claimed by a contractor under CAS 414, the contracting officer must reduce that portion of the profit objective based on contractor effort by applying an offset factor of 0.7. On the other hand, to determine that portion of the profit objective based on a contractor's use of facilities capital, the contracting officer applies a rate of 16 to 20 percent to the estimated facilities capital allocated to the contract.

The director of procurement at one major command headquarters characterized the consideration of cost of capital in weighted guidelines profit determinations as "generally not understood" by contracting officers. And, while discussing complexity factors, the director of another procurement

activity commented on "the difficult and time-consuming calculations of cost of capital in profit."

#### International Cooperation and Foreign Military Sales

New and complex factors are introduced when contracting is pursuant to international cooperative arrangements. The controlling mechanism in such arrangements usually is a Memorandum of Understanding (MOU). This document delineates areas of agreement on assignment of authority and matters relating to items such as finance, security, intellectual property rights, quality control, management structure, trade agreements, taxes, duties, sales, and transfer. Many, if not all, affect the contracting process to some degree.

Foreign firms often are involved either in development and production of discrete parts of programs or are linked in joint ventures with domestic firms for the whole program. Complexities, resulting from differences in language, laws, monetary systems, accounting practices, and ownership of special tools and facilities, must be dealt with.

Many of the factors present in dealings involving international cooperative agreements also may be present in contracts for military equipment to be sold to foreign governments. In addition, issues may be introduced because the foreign purchaser is bearing the ultimate cost and hence has a strong proprietary feeling about matters in the contracting process. If the foreign purchaser lacks clear understanding of U.S. procurement laws, regulations, and practices, enormous complications may be introduced and often slow the entire process.

#### Source Selection

DoD has adopted a formal four-step source selection procedure for all competitively negotiated research and development acquisitions, and the

procedure may be used for any other acquisition. Excepted are R&D acquisitions involving the exploration or formulation of design concepts or those involving selections from among firms under contract for competitive hardware demonstration, validation, or full-scale engineering development. The four steps are submission and evaluation of technical proposals, submission and evaluation of cost proposals, establishment of the competitive range and selection of the apparent successful offeror, and negotiation of a definitive contract.

This formal procedure differs from the procedure it replaced largely in the provision for sequential, rather than simultaneous, submission and evaluation of technical and cost proposals. The requirements for written or oral discussions with all offerors in the competitive range, required by law, are constant features of procurement by negotiation. Source selection, if judged by the outline in the Defense Acquisition Regulations, is a logical means for making the ultimate selection from among competing offerors. However, the implementation of the DAR requirement in major program competitions typically uses a source selection official, a board that makes recommendations to the selection official, and separate teams of experts that evaluate the technical and cost details of all proposals and report their findings to the board. The complete process involves large amounts of time and human resources to help reach a decision as to which proposal is most advantageous to the DoD.

#### Increasing Production Lead Times

The span between authorization to begin work on a product and the time of delivery is increasing for several reasons. Limitations on productive capability, shortages of critical materials, contractors' preferences for commercial work, and the increasing technical sophistication of DoD's programs contribute to this condition.

The practical effect of longer lead time on contracting shows in two ways. In some cases, the problem is to price the contract at a realistic level. Increased lead time makes forecasting contract costs and reaching agreement on contract price and other terms and conditions more difficult. This can result in the greater use of fixed-price incentive contracts or fixed-price contracts with provision for economic price adjustment, either of which adds work over and above that required for a firm fixed-price contract.

In other cases, notably in airframe, aircraft engine, and missile procurements, contractors must be authorized to begin work on planned programs years before the final congressional approval of the programs is received. Under special conditions, contractors are authorized to place orders for specified long lead time items (forgings and castings, for example), and reimbursement provisions are established. These arrangements are similar to letter contracts and are for articles for which DoD either does not have or does not need detailed specifications. They give contractors somewhat of a "blank check," which contract specialists limit by constructing safeguards on a contract-by-contract basis. The problem grows more acute as the lead times increase. Currently, some airframe and engine parts have as much as a 50-month-to-production lead time.

#### Increasing Technical Sophistication

With continuing rapid advances in many technologies, the promise of greatly increased capabilities leads planners to specify more complex defense weapons. It is more difficult to specify the contract requirements for such weapons and consequently to estimate the costs of contract performance. It frequently takes more time and greater skill to establish contract procedures for measuring weapon system performance and to negotiate reasonable contract pricing arrangements than for simpler procurements. These conditions have

resulted in development and use of such devices as should cost studies, performance and delivery incentives, life cycle cost estimates, design to cost goals and incentives, and reliability improvement warranties. This, in turn, means extra work for many in all phases of the acquisition process because use of any of these devices must be tailored to the circumstances of the particular acquisition.

#### Declining Size of the Defense Industrial Base (DIB)

A combination of factors is causing a continued shrinking of the number of companies available for contracting with DoD and making it more difficult to conclude mutually satisfactory agreements with those still in the base. Findings of the Summer 1980 Defense Science Board task force report on this topic include:

- Productivity in the defense sector has been lagging, in large part because of low levels of capital investment compared to U.S. manufacturing in general.
- The larger defense firms -- both primes and subs -- have changed character in the last 10 to 15 years and are now part of multi-market corporations. In the competition for capital, the return on investment for defense markets is not favorable.
- Cash flow problems, tax policies, high interest rates, and inflation have all tended to discourage needed investment.
- The instability of defense programs -- single year orders, changing quantities and rates, program stretchouts, and cancellation -- has made the business less attractive, and has led to low investment in productivity.
- Inflation factors being used in DoD planning and budgeting are unrealistic.
- Lead times have increased markedly in the last three years, leading to higher costs.
- The subcontractor and the supplier base has decreased. The factors for the loss in the lower tier base include small quantities, annual buys, DoD contracting requirements, high cash requirements, and returns not consistent with risks.
- Prime contractors do not routinely "flow down" beneficial provisions of their contracts to subcontractors and suppliers.

Cost accounting standards requirements have been cited as major factors causing companies in certain industries to reassess continued participation in defense business. Large companies, such as U.S. Steel and Alcoa, which, in relative terms, sell little to DoD and its prime contractors, have viewed CAS requirements with ill-disguised antipathy. Oil companies, large and small, have expressed considerable opposition to the application of CAS to their industry, and CAS has been cited as one reason many specialty manufacturers, both prime contractors and subcontractors, have left the defense industrial base.

A reduced base can cause contract specialists to spend more time finding suppliers and the new suppliers are unfamiliar with the rules governing DoD procurement or, if they must be dealt with on a noncompetitive basis, the specialists will spend more time evaluating responses and negotiating agreements with them. For larger buys, these problems may be transferred to the prime contractor, lining up subsystem, component, and materials suppliers, and may result in longer lead times. The longer the time span, the more difficult it may be to come up with a realistic estimate of costs and a suitable contractual arrangement for shifting or reducing the risks of inflation.

#### Inflation

A majority of buying activities identified inflation as a primary culprit in making the procurement function more complex and time consuming by:

- increasing the need for economic price adjustment clauses, and
- pushing a greater proportion of contracts over important dollar thresholds thereby triggering additional requirements on the contract specialist.

The persistence of high inflation has increased the use of economic price adjustment (EPA) clauses and reduced the acceptability of firm fixed-price contracts. An EPA clause ties estimated contract material or labor

costs to a published price index so that a change in the price index will trigger an adjustment in the contract price. Use of an EPA clause means extra work for contract specialists. Although the DAR contains model EPA clauses, each must be customized for a contract, so that movement in the index will approximate that expected of the contract cost elements to be covered.

The second major effect of inflation is to push a greater proportion of contracts over established dollar thresholds thereby triggering additional reviews, clearances, and other requirements. Two key dollar thresholds are \$10,000 and \$100,000. Above \$10,000, small purchase procedures cannot be followed; over 60 additional actions are required or permitted above that specific threshold. Above \$100,000, over 35 additional actions are involved, most significantly the requirement for contractor certification of cost or pricing data under P.L. 87-653. As the head of one buying activity pointed out, many smaller contractors have no prior experience with certified cost or pricing data requirements and are unwilling to provide and certify the currency, completeness, and accuracy of the data. Unless the procurement meets one of the statutory exemptions, the 87-653 requirement must be met, even if price histories indicate that a price is reasonable.

As the findings of this report indicate, the total number of contract actions increased by 13% between FY 1975 and 1980, but those over \$10,000 increased by 41% and those over \$100,000, by 63%. Similarly, as the proportion of contracts increases above local dollar thresholds triggering review and clearance at a higher organizational level, the procurement time and effort increases.

#### Aging Weapons

The DoD operational inventory, as well as the inventories of nations which have bought or were given U.S.-made weapon systems, contain some old,

out-of-production weapons. Procurement support of these older systems is made difficult by a number of factors:

1. technological obsolescence and small quantity purchases which individually or together effectively reduce the number of companies able or willing to do the work,
2. lack of specifications and detailed drawings needed to manufacture certain components and subsystems, and
3. relative high unit cost of items procured in this kind of market.

Older systems are not always phased out as new systems move through to full-scale development and then to production and into the operational inventory. Frequently, the older systems are modified or modernized to improve performance or adapt to new missions. This can strain the resources of the system acquisition activity which must continue to staff and support old program offices, even as developing systems create the need for a contracting capability in new program offices.

#### Modifications to the Buy American Policy

The Buy American Act generally provides that only domestic end products shall be acquired for public use in the United States. One of the exceptions to the Act applies when the Secretary concerned determines that the cost of a domestic end product would be unreasonable.

Historically the determination as to reasonableness of cost of domestic end products was made by adjusting foreign offers by stipulated amounts and evaluating the competing offers as adjusted. As closer cooperation has developed between the U.S. and its allies, and as agreements have been implemented to relax trade barriers, numerous modifications have been introduced into the Buy American policy.

There are "defense cooperation countries" for which the Buy American Act restrictions have been waived for certain items. There are "FMS/offset

arrangement countries" for which waivers of Buy American Act restrictions are dealt with on a case-by-case basis. There are "participating countries" for which a blanket waiver of Buy American Act restrictions has been made. Finally, there are "designated countries" under the Trade Agreements Act of 1979 from which certain designated non-defense end items in procurements of more than \$196,000 can be made without regard to the restrictions of the Buy American Act. DoD also has implemented its Balance of Payments program which essentially applies the same evaluation criteria to procurement of goods and services for use outside the United States.

The net result is an extremely complex set of circumstances under which contracting officers must determine the status of the country of origin of the products offered, the status of the items being procured, and the appropriate factors to be applied in the evaluation process, in order to structure the request for bids or proposals, and to establish the acceptable low proposal.

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20. ABSTRACT (Continue on reverse side if necessary and identify by block number) This study analyzes changes in the size and complexity of DoD's procurement workload and workforce between 1975 and 1980. It identifies the factors which have made the procurement task more demanding and time consuming: the growth in size of individual procurement actions, added legislative and administrative requirements, and changing economic conditions. It also identifies changes in the size and skill level of the procurement workforce and summarizes reviews of conditions at 15 DoD procurement activities. (continued)		

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The findings are that workload (measured by actions completed) increased significantly in both size and complexity. The workforce increased at a lesser rate than workload, but not uniformly at each procurement activity. The separation rate for procurement personnel was high and increasing while the average length of service decreased between 1975 and 1980. A significant number of procurement activities did not have enough people to process current workload. Despite positive actions (especially automation) to compensate for workload/workforce imbalances, there was an adverse effect on performance of the procurement function.

The study recommends immediate action to increase the number of procurement personnel where needed; to keep better records of work in process; to increase automation; and to develop work measurement and manpower utilization and projection systems.

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